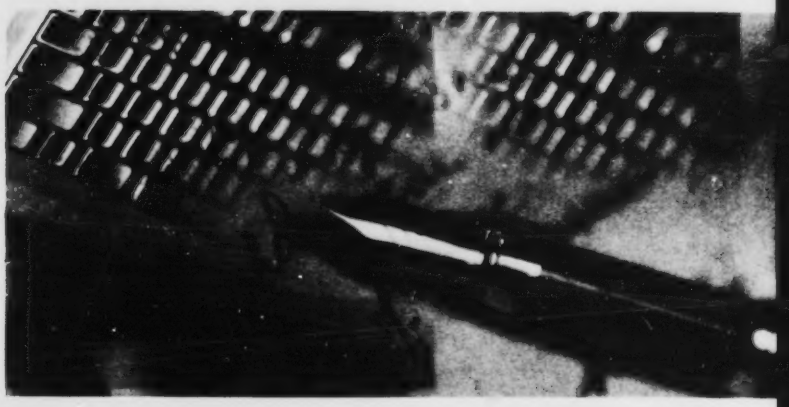
RESEARCH REPORT

MUNICIPAL PLANNING FOR AFFORDABLE HOUSING



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Municipal Planning for Affordable Housing

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Executive Summary

Introduction

The land use planning process and associated regulatory and revenue raising mechanisms are highly important spheres of activity which are within municipal jurisdiction and which can produce, or influence the production of, affordable housing.

Objectives and Methodology

Canada Mortgage and Housing Corporation commissioned the study, "Municipal Planning for Affordable Housing", to consolidate existing knowledge on six land use planning and associated financial mechanisms that are currently in use by municipalities in North America for new affordable housing and that have some promise for expanded use in Canadian cities. These are:

- inclusionary zoning;
- linkage programs;
- density bonusing;
- alternative development standards;
- performance-based planning and other flexible planning approaches; and
- development cost charges on an area basis.

Each of these measures has been the subject of previous CMHC research. Consequently, the research design had two main elements: reviewing the previous CMHC studies and other pertinent literature and obtaining views from the planning and development community. The review of North American literature on affordable housing, and municipal regulatory and financial instruments covered both government-related documents and Web sites, along with the academic and professional literature. Expert opinion was gathered using two techniques: a mail-out survey to affordable housing providers including municipal and provincial planning and housing officials, developers and builders, local politicians and housing consultants and focused workshops were conducted to examine the measures in six urban regions across the country (Vancouver, Calgary, Toronto, Ottawa, Montreal, and Halifax). Survey respondents and workshop participants were asked to report on their experience with the six measures and the feasibility of their use in the local housing market.

Findings

Inclusionary Zoning

Inclusionary zoning requires, as a condition of approval, that a development project include some special component desired by the municipality, usually affordable housing. The application of these inclusionary requirements is often limited to multiple-unit residential projects and large-scale developments. The resulting inclusionary units become part of an ongoing pool of affordable housing, which can only be sold to qualified recipients at affordable prices.

The first US inclusionary zoning policy was created in 1971, in Fairfax County, Virginia and the next year a similar ordinance was instituted in neighbouring Montgomery County, Maryland. Following that, inclusionary zoning took hold in quickly growing suburban regions of the United States, paralleling the cutback in federal funding for low cost housing.

Since 1988, the City of Vancouver has required that certain major developments include 20 per cent social housing. In Ontario, many municipalities adopted inclusionary zoning policies in their official plans in response to provincial policy that previously encouraged them to do so.

In considering the potential for expanded use of inclusionary zoning, certain conditions seem better suited for this measure:

- better in larger developments: smaller projects may not bear the cost of meeting inclusionary requirements;
- better in high-growth areas: in slow growth areas, developers can "wait it out" if authorities impose inclusionary zoning requirements that the developers consider too costly. In active markets, developers would be less willing to employ this holdout strategy; and
- better in higher-density districts: in less dense districts, developers have trouble meeting inclusionary requirements and density bonuses often can't serve as an inducement because the project doesn't need the density increases.

In summary, the advantages of inclusionary zoning are:

- it has significant potential to produce affordable housing, especially when applied on a mandatory basis; and
- it is relatively inexpensive for municipalities to institute.

The disadvantages are:

- it is not popular with developers and builders; and
- its effectiveness decreases in places that are not growing quickly and in smaller housing projects.

Linkage Programs

Linkage fees are levied on commercial development in order to meet the increased demand for affordable housing that results from that development. As a condition of development approval, the fees are paid by developers into a municipal fund dedicated to the building of low- and moderate-priced housing. Most programs give the developer the option of building affordable housing themselves in lieu of paying the fees.

San Francisco's planning department originated the concept of linkage fees when it instituted its program in 1981. Other cities experiencing robust downtown growth—such as Boston, Seattle, Miami and Washington—soon followed suit with programs of their own.

In Canada, several western municipalities have experience with linkage programs, including Richmond and Whistler in BC, and Banff in Alberta. In Banff, the program was set up in 1990 to help alleviate the chronic shortage of housing for employees in the tourist industry.

Linkage fees appear to have the greatest potential for further use in areas where:

- there is strong commercial development (especially large projects that could easily shoulder the linkage fees);

- municipalities can demonstrate a direct link between commercial development and housing shortages; and
- there is provincial enabling legislation to specifically allow linkage fees.

Linkage programs have a number of important advantages:
- in communities with unbalanced growth (e.g., in tourist areas, or cities with strong commercial development downtown), linkage fees can help address the affordability issue and defuse calls for growth controls;
- they can generate considerable sums of money for affordable housing programs in a short period of time; and
- they are often supported by residents in communities affected by housing shortages.

Disadvantages include:
- municipalities trying to attract commercial development may shy away from imposing linkage fees;
- may make certain developments unprofitable; and
- may be open to challenge on technical or legal grounds i.e., questioning whether housing problems can be linked to incoming developments.

Density Bonusing

Density bonusing is a mechanism that allows developers to add more floor area or additional density in exchange for the provision of certain facilities and services that benefit the community. Facilities and services may include daycare, recreational facilities, community centres, or affordable housing.

Density bonusing is most often used in central cities, especially in the commercial core. It can be applied to commercial projects—mainly for major office projects but sometimes retail and hotel projects—or for larger residential projects.

In the US, New York was the first city to use density bonusing back in 1961. From there, use of the instrument spread to other large and growing cities such as Washington, Delaware, Hartford and Seattle.

In Canada, the City of Toronto has long experience in using density incentives to secure public benefits. Other Canadian cities, notably Vancouver and Burnaby, have also used residential density bonusing systems.

Density bonus programs have been successfully applied in major downtown areas and other developed areas such as on waterfronts and major highways. Only in these areas can valuable revenue-generating space be offered in sufficient quantity to invite participation by developers.

Conditions conducive to the application of density bonusing include:
- From a community acceptance point of view, density bonusing works best in already dense settings and where public services can support additional populations; and
- Density bonusing by municipalities requires provincial enabling legislation. Such legislation exists in Ontario, British Columbia, and Nova Scotia. The use of density bonusing in other provinces would require legislative changes.

The advantages of density bonusing include:

- can deliver substantial number of affordable units when applied to larger projects, central areas and expanding markets;
- can obtain affordable housing from the private sector with a minimum of municipal involvement; and
- can be used to increase densities where this is desired for planning purposes (e.g., to encourage intensification of downtown areas and around transit stations).

Disadvantages include:

- won't work where developers are not interested in achieving higher densities;
- its implementation requires special studies and extensive community consultation; and
- may be challenged as giving too much discretion to municipal officials who make "deals" with developers.

Alternative Development Standards (ADS)

Alternative development standards are flexible planning and engineering standards that provide a range of alternatives to the current standards used for the design and construction of communities. Alternative development standards can be divided into two categories: planning standards (e.g., reduced setbacks, narrower lot sizes); and engineering standards (e.g., reduced road allowance and on-street parking). Using alternative standards can result in a net cost reduction per dwelling unit, both because of lower construction costs and more efficient use of land.

The use of alternative development standards in Canada has been spread primarily through the widening interest in New Urbanist designs. At present, there are over 30 New Urbanist communities completed or under development in Canada. Most of these are in three provinces: Ontario, British Columbia and Alberta. Projects using alternative development standards include McKenzie Town in Calgary, Cornell in Markham, and Bois Franc in Montreal.

The conditions that lend themselves to the use of ADS include:

- a site with unusual dimensions where conventional standards are hard to apply;
- an infill project that uses ADS to approximate older, established neighbourhood form; and
- the presence of supportive municipal policy, such as affordability and environmental protection, etc.

The advantages of alternative development standards include:

- most provinces have already created a positive regulatory environment for the development and implementation of ADSs; and
- the concept of using ADS is increasingly accepted both within the community and within professional circles.

Disadvantages include:

- there is no guarantee that cost-savings from ADS will be passed on to the consumer; and
- ADS will not necessarily contribute to affordability if they are not used in a supportive planning framework.

Performance-based Planning and Other Flexible Planning Approaches

Performance-based planning is an alternative to conventional zoning and the traditional processes of zoning administration. Municipalities using this approach regulate land use not based on proposed use, location and dimensions of the development, but on the basis of the actual impacts, measured against predetermined standards. Thus, it allows for more flexible regulation in terms of land use and building envelope. The increased flexibility can enhance housing choice, which may improve housing affordability.

Performance-based planning is most advanced in its application in Australia, where senior governments have been promoting the concept through model codes since the early 1990s.

In the US, a number of jurisdictions have adopted comprehensive performance-based planning systems, starting in 1973 with Bucks County, Pennsylvania and then spreading to a number of other cities, including Fort Collins, Colorado.

In Canada, there is no comprehensive performance-based planning system currently in place. However, a number of Canadian municipalities have adopted some of the key principles of performance-based planning. For instance, elements of the approach can be found in the flexible zoning practices associated with some New Urbanist developments and in the Comprehensive Development Zones being used in Burnaby and elsewhere in BC.

The greatest potential for further use of this measure is in:

- urban municipalities that have identified older areas in transition that would benefit from more flexible zoning practices, such as redeveloping brownfields sites;
- suburban municipalities considering innovative forms of development, such as New Urbanism; and
- municipalities where innovative development is being stalled by the rigidities of conventional zoning.

Advantages of this measure include:

- offers greater flexibility than conventional zoning;
- creates conditions for more affordable housing through increased density and mixed use and by allowing innovative projects to go ahead in transition areas; and
- could improve quality of urban design.

Disadvantages include:

- has less predictable outcomes for developers and gives more discretion
- to municipal officials;
- depending on type of flexible planning, may require legislative changes in some provinces; and
- no guarantee that it will result in more affordable housing.

Development Charges on an Area Basis

Development charges are fees paid by developers to municipalities in order to help finance the off-site capital costs associated with community growth. In most provinces, they cover such things as water and sewerage mains, drainage, major roads and bridges and parks.

One way of using development charges to encourage affordable housing would be to make the charges proportional to the size of the housing unit or lot being developed, (e.g., on the basis of the square metre of floor area, the lot area, or on the front metre of the lot). Municipalities in Alberta, Saskatchewan and Quebec typically use area-based approaches. For instance, in Calgary, the development charge system is based on lot frontage, as it is in Saskatoon and Laval. The City of North Vancouver switched from a per-unit to an area-based approach in 1997.

Development charges on an area basis can best be applied in:

- municipalities in provinces with legislation empowering municipalities to adopt development charges bylaws, that is BC, Alberta, Saskatchewan, Ontario and Quebec;
- municipalities with high development charges, where the effect of switching from a unit to an area based charge is more likely to have an impact on developer decision making;
- municipalities with suburban areas that are growing quickly and that do not want to burden existing residents with property tax increases to pay for new or expanded infrastructure; and
- in central cities with strong real estate markets and affordability problems.

Advantages of this measure include:

- could increase production of affordable housing units where charges are high and growth is brisk; and
- many municipalities already have a development charge system in place and it is relatively easy to switch to an area-based system.

Disadvantages include:

- it may have weak or uncertain impacts on affordability because impacts on housing production are indirect; and
- not applicable in slow growth areas where development charges are not appropriate.

Integrating the Measures

Municipalities are increasingly interested in exploring measures to boost the private supply of affordable housing within their jurisdiction. Not surprisingly then, many of the measures that have been profiled here are seeing increasing use in major centres across Canada and the US. As experience with individual measures accumulates, municipalities are also exploring the potential for combining measures as part of an integrated housing strategy, either for individual sites or the municipality as a whole.

The potential of these measures is sometimes compromised by the lack of an integrated framework within which they can be placed. For example, a municipality that adopts policies to encourage the use of ADSs is unlikely to see much progress on housing affordability in the absence of broad policies to support compact development with a mix of housing types. In fact, many New Urbanist communities employing alternative development standards are characterized by detached housing and geographical segregation of different housing types.

Likewise, the application of performance-based planning has sometimes had a counterproductive effect on housing affordability. This can happen if large amounts of land

are dedicated to the buffering and separation of incompatible uses, reducing densities and boosting land costs.

Linking these and other housing affordability measures to a municipal development plan would help improve their effectiveness and obviate some of the undesired side effects of their use. Integrating affordable housing measures into broader community goals and plans relies heavily on partnerships with community actors, such as non-profit and private developers, financial institutions and community agencies. These partnerships are useful in terms of setting goals, leveraging resources, obtaining community support and implementing housing policies.

Résumé

Introduction

L'aménagement du territoire et les mécanismes de réglementation et d'accroissement des recettes associés constituent des sphères d'activité hautement importantes relevant de la compétence des municipalités, qui peuvent entraîner ou influencer la production de logements abordables.

Objectifs et méthodes

La Société canadienne d'hypothèques et de logement a mandaté l'étude Municipal Planning for Affordable Housing, dans le but de regrouper les connaissances à l'égard de six formules d'aménagement du territoire et mécanismes financiers connexes qu'exploitent présentement des municipalités de l'Amérique du Nord pour la création de logements neufs abordables, et qui offrent des promesses de s'étendre aux villes canadiennes. Ce sont :

- le zonage d'inclusion;
- les programmes de compensation;
- les primes de densité;
- les nouvelles normes d'aménagement;
- l'urbanisme axé sur la performance et d'autres modes de planification flexibles; et
- les droits d'aménagement établis d'après la superficie

Chacune de ces mesures a déjà fait l'objet de recherches de la part de la SCHL. C'est pourquoi, la recherche comportait deux volets : d'une part, revoir les études précédentes de la SCHL et toute autre documentation pertinente, et, d'autre part, obtenir le point de vue des autorités responsables de la planification et de l'aménagement. Le dépouillement d'ouvrages nord-américains consacrés au logement abordable, à la réglementation municipale et aux instruments financiers portait autant sur les documents et sites Web d'initiative gouvernementale que sur la documentation d'ordre didactique et professionnel. Les opinions d'experts ont été recueillies à l'aide de deux techniques : d'abord, un questionnaire d'enquête envoyé par la poste à tous les dispensateurs de logements abordables, y compris les agents municipaux et provinciaux de la planification et du logement, les promoteurs et constructeurs, les politiciens locaux et les consultants en matière de logement; puis, des ateliers ciblés visaient à étudier les mesures adoptées dans six régions urbaines du pays (Vancouver, Calgary, Toronto, Ottawa, Montréal et Halifax). Les répondants au questionnaire d'enquête et les participants aux ateliers ont été invités à commenter leur expérience acquise en rapport avec les six mesures ainsi que leur transférabilité au sein du marché local de l'habitation.

Résultats

Zonage d'inclusion

Le zonage d'inclusion requiert, comme condition d'approbation, que le projet d'aménagement comporte un élément particulier souhaité par la municipalité, en général des logements abordables. L'application d'exigences d'inclusion se limite souvent à des ensembles de logements collectifs et à des aménagements d'envergure. Les habitations ainsi produites font partie d'une réserve de logements abordables qui ne peuvent être vendus qu'à des candidats qualifiés, moyennant un prix abordable.

Le premier règlement de zonage d'inclusion aux États-Unis a été adopté en 1971, dans le comté de Fairfax, en Virginie; l'année suivante, le comté Montgomery voisin, dans le Maryland, adoptait une ordonnance semblable. Le zonage d'inclusion s'est ensuite étendu aux régions suburbaines américaines connaissant une croissance rapide, parallèlement à la réduction des fonds fédéraux consacrés au logement à prix modique.

Depuis 1988, la Ville de Vancouver exige que certains aménagements d'importance comportent 20 % de logements sociaux. En Ontario, bien des municipalités ont adopté des règlements de zonage d'inclusion dans leur plan officiel en réaction à la politique de la province qui les avait au préalable incités à agir de la sorte.

Lorsque l'on envisage la possibilité d'étendre l'usage du zonage d'inclusion, certaines modalités semblent mieux y convenir :

- le zonage d'inclusion se prête mieux aux grands aménagements. Les projets de faible envergure pourraient ne pas pouvoir supporter les coûts se rattachant à ses exigences;
- il convient mieux aux zones de forte croissance. Dans les zones de faible croissance, les promoteurs peuvent tergiverser si les autorités leur imposent un règlement de zonage d'inclusion qu'ils jugent trop coûteux. Dans les marchés actifs, les promoteurs seraient moins enclins à faire preuve d'autant de retenue;
- il s'applique mieux dans les quartiers à forte densité : dans les quartiers moins densément peuplés, les promoteurs éprouvent de la difficulté à satisfaire les exigences du zonage d'inclusion et les primes de densité souvent ne tiennent pas lieu d'incitatif vu que le projet d'habitations peut se passer d'une augmentation de densité.

En résumé, voici les avantages du zonage d'inclusion :

- il risque fort de se traduire par la production de logements abordables, surtout si son application est rendue obligatoire; et
- il en coûte assez peu aux municipalités pour l'implanter.

Par contre, il comporte les désavantages suivants :

- il ne gagne pas la faveur populaire des promoteurs et des constructeurs;
- son efficacité décroît dans les endroits n'accusant pas une croissance rapide, ainsi que dans les petits ensembles résidentiels.

Programmes de compensation

Des droits compensatoires sont perçus à l'égard de l'aménagement de bâtiments commerciaux dans le but de répondre à l'accroissement de la demande de logements abordables en résultant. Comme condition d'approbation de l'aménagement, le promoteur consent à verser les droits dans un fonds municipal réservé exclusivement à la construction de logements de prix modique ou modéré. La plupart des programmes offrent au promoteur l'option de construire lui-même des logements abordables plutôt que d'acquitter les droits.

Le service d'urbanisme de San Francisco a lancé l'idée des droits compensatoires en mettant sur pied son programme en 1981. D'autres villes connaissant une croissance soutenue au centre-ville—comme Boston, Seattle, Miami et Washington—ont tôt fait d'emboîter le pas en adoptant leur propre programme.

Au Canada, plusieurs municipalités de l'Ouest connaissent bien les programmes de compensation : Richmond et Whistler en C.-B., et Banff en Alberta. À Banff, le programme a été institué en 1990 en vue de combler la pénurie chronique de logements pour les employés du secteur touristique.

Les droits compensatoires semblent avoir le plus de potentiel de s'utiliser davantage dans les endroits où :

- il se construit beaucoup de bâtiments commerciaux (surtout les projets de grande envergure qui peuvent facilement absorber les droits compensatoires);
- les municipalités peuvent établir qu'il existe un lien direct entre l'aménagement de bâtiments commerciaux et la pénurie de logements; et
- la province dispose d'une loi habilitante autorisant spécifiquement les droits compensatoires.

Les programmes de compensation comportent d'importants avantages :

- dans les collectivités connaissant une croissance déséquilibrée (par exemple, les secteurs touristiques ou les municipalités dont le centre-ville connaît un important développement commercial), les droits compensatoires peuvent permettre de s'attaquer au problème de l'abordabilité des logements et de désamorcer la demande de contrôles de croissance;
- ils peuvent générer, en peu de temps, des sommes d'argent considérables destinées aux programmes de logement abordable;
- ils reçoivent souvent l'appui des résidents des collectivités touchées par une pénurie de logements.

En voici les désavantages :

- les municipalités qui cherchent à attirer les promoteurs commerciaux peuvent avoir répugnance à imposer des droits compensatoires;
- ils peuvent rendre certains aménagements déficitaires;
- ils risquent de donner lieu à des contestations d'ordre technique ou juridique, par exemple, si les problèmes de logement peuvent être liés à l'arrivée d'aménagements.

Primes de densité

Les primes de densité permettent aux promoteurs d'aménager une plus grande aire de plancher ou d'accroître la densité d'aménagement en contrepartie d'installations et de services profitant à la collectivité. Il peut s'agir notamment d'une garderie, d'installations récréatives, d'un centre communautaire, ou encore de logements abordables.

Les primes de densité s'utilisent le plus souvent dans les villes-centres, surtout au coeur du secteur commercial. Elles peuvent viser des projets de bâtiments commerciaux —principalement d'importants projets d'immeubles à bureaux, mais parfois des projets de points de vente au détail ou d'hôtels—ou des projets d'ensembles résidentiels d'envergure.

Aux États-Unis, New York a été la première ville à exploiter le concept des primes de densité, en 1961. À partir de là, son utilisation s'est répandue à d'autres villes importantes ou en croissance, comme Washington, Delaware, Hartford et Seattle.

Au Canada, la Ville de Toronto a recours depuis longtemps à des incitatifs en matière de densité d'habitation pour obtenir des avantages d'intérêt public. D'autres villes canadiennes, en l'occurrence Vancouver et Burnaby, ont également consenti des primes de densité pour les aménagements résidentiels.

Des programmes de primes de densité ont été mis en oeuvre avec succès dans des centres-villes d'importance et d'autres zones aménagées notamment dans des secteurs riverains et le long d'autoroutes. Ce ne sont que ces zones de valeur génératrices de recettes qui peuvent être offertes en quantité suffisante pour solliciter la participation des promoteurs.

Voici les conditions propices à l'application des primes de densité :

- pour leur acceptation par la collectivité, les primes de densité donnent de meilleurs résultats en milieu déjà dense et là où les services publics peuvent soutenir un surcroît de population;
- les primes de densité versées par les municipalités requièrent que la province
- se dote d'une loi habilitante. Une telle loi existe en Ontario, en Colombie-Britannique et en Nouvelle-Écosse. L'utilisation des primes de densité dans les autres provinces nécessitera des modifications législatives.

Voici les avantages des primes de densité :

- elles permettent de créer un nombre appréciable de logements abordables lorsqu'elles visent d'importants projets d'habitations, les zones centrales et les marchés florissants;
- elles permettent d'obtenir du secteur privé des logements abordables, moyennant une participation minimale de la municipalité;
- elles peuvent servir à accroître la densité au besoin à des fins de planification (par exemple, pour encourager la densification du centre-ville et en périphérie des stations de transport en commun).

En voici maintenant les désavantages :

- elles ne servent à rien si les promoteurs ne sont pas intéressés à accroître la densité d'occupation;

- leur mise en application requiert des études spéciales et une vaste consultation de la collectivité;
- elles peuvent susciter des contestations en ce sens qu'elles confèrent aux autorités municipales les pleins pouvoirs pour « conclure des ententes » avec les promoteurs.

Nouvelles normes d'aménagement

Les nouvelles normes d'aménagement désignent les normes d'urbanisme et les normes techniques flexibles qui offrent une gamme d'options par rapport aux normes actuelles utilisées pour la conception et l'aménagement de collectivités. Elles se rangent en deux catégories : les normes d'urbanisme (par exemple, réduction de la marge de recul, lots étroits); et les normes techniques (par exemple, réduction de l'emprise des routes et stationnement sur la chaussée). L'emploi de nouvelles normes peut entraîner une diminution du coût net par logement, en raison de la baisse des coûts de construction et de l'utilisation plus efficace du terrain.

Le recours à de nouvelles normes d'aménagement au Canada s'est surtout étendu en raison de l'intérêt accru à l'égard du néo-urbanisme. À l'heure actuelle, il existe plus de 30 collectivités du genre aménagées ou en voie de l'être au Canada. La plupart sont regroupées dans trois provinces : l'Ontario, la Colombie-Britannique et l'Alberta. Les ensembles résidentiels réalisés d'après les nouvelles normes d'aménagement s'entendent de McKenzie à Calgary, Cornell à Markham et de Bois-Franc à Montréal.

Voici les conditions qui se prêtent au recours à de nouvelles normes d'aménagement :
- un emplacement aux dimensions exceptionnelles où les normes classiques sont difficiles à appliquer;
- un projet de densification qui s'en sert pour mieux correspondre à un vieux quartier établi;
- l'existence d'une politique de soutien municipale notamment en matière d'abordabilité, de protection de l'environnement, etc.

Les nouvelles normes d'aménagement comportent les avantages suivants :
- la plupart des provinces ont déjà suscité un milieu de la réglementation favorable à la création et à la mise en application de nouvelles normes d'aménagement;
- l'idée d'exploiter de nouvelles normes d'aménagement est de plus en plus acceptée tant au sein de la collectivité que des cercles professionnels.

En voici les désavantages :
- rien ne garantit que les économies de coût réalisées grâce aux nouvelles normes d'aménagement seront refilées au consommateur;
- les nouvelles normes d'aménagement ne contribueront pas nécessairement à l'abordabilité si elles ne sont pas exploitées à l'intérieur d'un cadre auxiliaire.

Urbanisme axé sur la performance et autres formules de planification flexibles

L'urbanisme axé sur la performance constitue une solution de rechange au zonage classique et aux modes traditionnels d'administration du zonage. Les municipalités qui ont recours à cette formule régissent l'occupation des sols qui n'est pas fondée sur la destination proposée, l'endroit et la taille de l'aménagement, mais sur les véritables répercussions, mesurées en fonction de normes prédéterminées. Ainsi, l'urbanisme axé sur la performance autorise davantage de flexibilité quant à l'occupation des sols et à l'enveloppe des

bâtiments. La flexibilité accrue peut rehausser le choix en matière de logements et contribuer à en améliorer l'abordabilité.

L'urbanisme fondé sur la performance a atteint le stade d'application le plus avancé en Australie où les paliers de gouvernement supérieurs en favorisent le concept par des codes modèles depuis le début des années 1990.

Aux États-Unis, certaines autorités ont adopté des formules complètes d'urbanisme axé sur la performance dès 1973 dans le cas de Bucks County, en Pennsylvanie, qui se sont ensuite propagées à d'autres villes dont Fort Collins, au Colorado.

Le Canada ne dispose à l'heure actuelle d'aucune formule complète d'urbanisme axé sur la performance. Par contre, certaines municipalités canadiennes ont adopté certains principes clés de l'urbanisme axé sur la performance. À titre d'exemple, des éléments de la formule peuvent se trouver dans les techniques de zonage flexibles associées à certains aménagements appartenant au néo-urbanisme et dans les zones d'aménagement global que l'on retrouve à Burnaby et ailleurs en C.-B.

Le plus grand potentiel d'en étendre l'usage réside :
- dans les municipalités urbaines qui ont désigné de vieux quartiers en transition qui profiteraient de techniques de zonage plus flexibles, notamment pour le réaménagement de friches industrielles;
- les municipalités de banlieue envisageant des formules d'aménagement innovatrices, comme le néo-urbanisme;
- les municipalités où l'aménagement innovateur est freiné par la rigueur du zonage classique.

Cette mesure procure les avantages suivants :
- elle offre une plus grande flexibilité que le zonage classique;
- elle suscite un milieu propice à la réalisation de plus de logements abordables, grâce à l'augmentation de la densité et à une utilisation mixte, en autorisant les projets innovants à aller de l'avant dans les zones de transition;
- elle pourrait améliorer la qualité de l'esthétique urbaine.

Par contre, elle comporte les inconvénients suivants :
- elle offre moins d'issues prévisibles aux promoteurs et confère plus de liberté aux agents municipaux;
- elle peut exiger, selon le type d'urbanisme flexible, des modifications législatives dans certaines provinces;
- rien ne garantit qu'elle donnera lieu à la création de plus de logements abordables.

Redevances d'exploitation selon la superficie

Les redevances d'exploitation que les promoteurs versent aux municipalités contribuent à financer les coûts d'immobilisations hors chantier associés à la croissance des collectivités. Dans la plupart des provinces, elles visent notamment les conduites principales d'alimentation en eau et d'évacuation des eaux usées, le drainage, les principales artères, les ponts et les parcs.

Une façon d'utiliser les redevances d'exploitation pour favoriser l'abordabilité du logement consisterait à établir les redevances proportionnellement à la taille du logement ou du lot à

aménager (en fonction de l'aire de plancher exprimée en mètres carrés ou du mètre-façade du terrain). Les municipalités de l'Alberta, de la Saskatchewan et du Québec exploitent généralement des formules fondées sur la superficie. À Calgary, par exemple, les redevances d'exploitation sont fondées sur la façade du terrain, à l'instar de Saskatoon et de Laval. Pour sa part, Vancouver-Nord impose, depuis 1997, des redevances d'exploitation par logement plutôt que fondées sur la superficie.

Les redevances d'exploitation fondées sur la superficie s'appliquent le mieux :

- dans les municipalités où la province dispose d'une loi les habilitant à adopter des règlements établissant les redevances d'exploitation, comme c'est le cas en C.-B., en Alberta, en Saskatchewan, en Ontario et au Québec;
- dans les municipalités faisant face à des charges d'aménagement élevées, où l'effet de passer de redevances établies par logement à des redevances fondées sur la superficie risquent davantage d'exercer une incidence sur le processus décisionnel des promoteurs;
- les municipalités qui comportent des banlieues en croissance rapide, et qui ne veulent pas imposer d'augmentations de taxes foncières à leurs résidents pour absorber les frais d'une nouvelle infrastructure ou de son prolongement;
- dans les villes-centres accusant un marché immobilier fort et des problèmes d'abordabilité.

Cette mesure pourrait comporter les avantages suivants :

- elle pourrait accroître la production de logements abordables là où les frais sont élevés et la croissance intense;
- de nombreuses municipalités disposent déjà de redevances d'exploitation de sorte qu'il serait assez facile de passer à des redevances fondées sur la superficie.

Elle comporte, par contre, les inconvénients suivants :

- en raison de ses répercussions indirectes sur la production de logements, elle pourrait exercer une incidence faible ou incertaine sur l'abordabilité;
- elle ne s'applique pas dans les zones de faible croissance où les redevances d'exploitation ne sont pas appropriées.

Intégration des mesures

Les municipalités sont de plus en plus intéressées à sonder les mesures destinées à relancer l'approvisionnement par la secteur privé de logements abordables à l'intérieur de leur territoire. Fait peu surprenant, bon nombre des mesures énoncées ici s'utilisent de plus en plus dans les grands centres du Canada et des États-Unis. À mesure que les résultats découlant de chacune des mesures s'accumulent, les municipalités explorent également la possibilité de les combiner dans le cadre d'une stratégie de logement intégré, qu'il s'agisse de chantiers individuels ou de l'ensemble de la municipalité.

Le potentiel de ces mesures est parfois compromis par le manque de plan d'action intégré à l'intérieur duquel elles peuvent être mises en place. Par exemple, la municipalité qui adopte des lignes de conduite visant à encourager l'utilisation de nouvelles normes d'aménagement risque peu de constater des progrès sur l'abordabilité des logements en l'absence de politique générale destinée à soutenir l'aménagement groupé de concert avec un certaine diversité de types de logements. En réalité, de nouvelles collectivités adeptes du

néo-urbanisme, qui emploient de nouvelles normes d'aménagement, se caractérisent par des habitations individuelles et la ségrégation géographique de différents types de logement.

Par ailleurs, la mise en application de l'urbanisme fondé sur la performance a parfois eu un effet contre-productif sur l'abordabilité des logements. La situation peut survenir si d'importantes parcelles de terrain sont consacrées à neutraliser ou à séparer les destinations incompatibles, à réduire la densité d'aménagement et à faire monter en flèche le coût des terrains.

Lier ces mesures et d'autres liées à l'abordabilité des logements à un plan d'aménagement municipal contribuerait à améliorer leur efficacité et à contrer certains effets secondaires indésirables de leur utilisation. L'intégration des mesures d'abordabilité du logement à de vastes plans et buts de portée communautaire compte fortement sur des partenariats avec les intervenants communautaires, tels les promoteurs des secteurs sans but lucratif et privé, les établissements financiers et les organismes communautaires. Ces partenariats sont utiles pour établir des buts, aller chercher des ressources, obtenir l'appui de la collectivité et mettre en oeuvre une politique du logement.

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1. Introduction

Across Canada our communities are experiencing the affordable housing crunch ...
- FCM National Housing Policy Options Paper, June 1999

Can Canada produce affordable housing by adopting new land use planning measures? Through the 1990s, the affordability of housing has become increasingly important. The situation is complicated because senior governments in Canada are in the process of restructuring their traditional approaches to the production of social housing. Can private developers fill the gap in production if municipalities change planning regulations to assist and require them to do so?

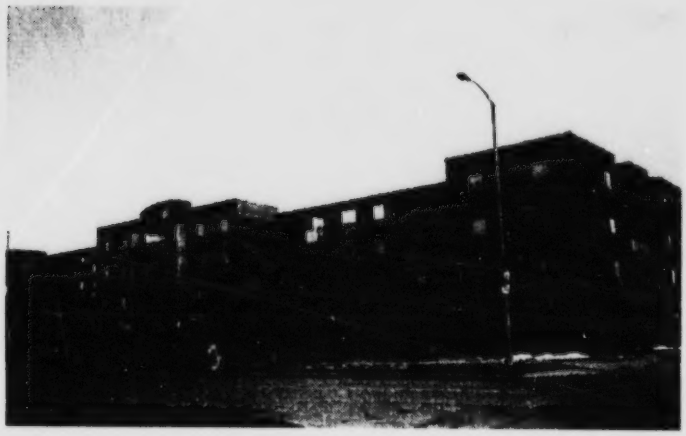

Figure 1: Non-profit housing

This project was commissioned by Canada Mortgage and Housing Corporation to create a better awareness in the Canadian housing and planning community of several land use planning and associated financial measures that can be used during the development approval process to bring about new affordable housing. There has been considerable study of such measures in recent years, in the pursuit of regulatory reform. The interest in this subject area is widespread: research has been undertaken by CMHC, national housing associations, provincial governments (particularly British Columbia and Ontario) and some municipalities. CMHC commissioned the present guidebook with the twin objectives of consolidating existing knowledge about the six measures which appear to have the greatest potential and disseminating this information within the urban planning and development community in Canada.

The Policy Context

Fifty years of experience with many approaches to the management of urban development have created a rich policy context for local authorities, who are assuming a greater role in the issues surrounding housing affordability. A brief review of this experience demonstrates the important role of municipalities in the central aspects of urban growth. Current developments in the reorganization of government functions, fiscal situations and urban and housing research all point to further increases in this municipal role.

Land use planning was always a local matter. Several decades of constitutional discussions have reaffirmed the paramount jurisdiction of provincial governments and municipalities in this area. Seeking to improve efficiency and effectiveness in municipalities, provinces have created more coherent forms of urban organization, from unicities like the five prairie CMAs and the new Toronto, to the urban regional governments in Ontario, Quebec and some Atlantic cities, and the regional quasi-governments in British Columbia. This new governance brings improved effectiveness, as local authorities obtain the geographic and functional scope to better plan, finance and manage, and a clearer responsibility for problems and opportunities that emerge in their territory. Control over land development has become a reality and more clearly a local matter.

In recent years there has been a further step in the evolution towards local control over development in the residential sector. At the same time that local governments have been becoming more directly involved in housing affordability, senior governments have been stepping away from this area. With budgets tight and fiscal pressures mounting, the federal government has virtually eliminated funding for the creation of new social housing (although it continues to fund existing social and on-reserve housing). Similarly, provincial governments have withdrawn to the extent that only BC and Quebec continue to fund social housing construction. With this area being vacated by most senior levels of governments, municipalities are faced with the affordable housing crunch in their localities and are searching for ways to bring affordability and choice into their housing markets. It should be noted that municipalities have indicated, in statements by the Federation of Canadian Municipalities (FCM) and elsewhere, that they are working to improve affordability but that their actions cannot, by themselves, provide solutions to Canada's housing affordability.

In this situation, municipal governments are increasingly open to measures that can increase the private supply of affordable housing in their markets. There is a broad range of measures that contribute to this purpose in the US such as public-private partnerships, subsidizing land, providing tax benefits, creating land trusts, reforming building codes and so on. The land use planning process and associated regulatory and revenue raising mechanisms are highly important spheres of activity which are within municipal jurisdiction and which can produce, or influence the production of, affordable housing. During the typical process by which a new housing project is planned and considered by regulatory authorities, there is an opportunity for the public sector to intervene and influence developers to incorporate affordable housing into their projects.

Housing Affordability and Land Use Planning

The affordability of housing is an important and complex issue and urban planning measures have the potential to address some aspects of this issue better than others. To begin to understand this complexity, it is worthwhile considering the meaning of the term "housing affordability". The meaning varies greatly among jurisdictions, but in Canada it is normally a variation on a definition established in 1986 by CMHC and provincial authorities. This says that affordable housing must consume no more than 30 per cent of household income. An application of this measure of affordability is seen in the City of North Vancouver's definition, adopted in February 1995:

> "Affordable" is defined as housing costs which do not exceed 30% of gross annual household incomes... "Affordable Housing" means housing which is affordable to households of low and moderate incomes.

It is also useful, when considering housing affordability, to recognize that there are two main, inter-related sets of affordability issues, ownership and rental affordability. Of the total national housing stock, according to the 1996 Census, 63.5 per cent was owner-occupied (6,870,735 housing units) and 3,949,320 units were rented.

Affordability of Rental

The most affordable housing has always been rental, as is demonstrated in the 1996 Census statistic that 57 per cent of Canadian rental households were paying less than the affordability standard, or under 30 percent of their income for rent. However, this housing stock is facing a number of serious threats. In its 1999 study "Where's Home—A Picture of Housing Needs in Ontario", the Ontario Non-Profit Housing Association showed urban rents are rising, vacancy rates are low and declining further, and the proportion of tenant households experiencing affordability problems had risen to 44 per cent. Across Canada, only about 5,000 new purpose-built rental units were started each year since the mid-1990s because of the unfavourable economics of constructing rental housing. The rental construction that has occurred has been primarily in the Province of Quebec, where there is a relatively large rental stock already and new construction has less impact on affordability. Nationally, the rental stock is being eroded by conversions to condominiums and demolitions. Much of this loss impacts more-affordable rental properties in smaller buildings within transitional districts, or in deteriorated larger buildings that can be made-over profitably. While any urban planning measures that can assist the production of low-cost rental dwellings will aid housing affordability, the problematic economics of building residential rental will not be strongly impacted by modifications in urban planning.

The other major source of affordable rental is secondary suites, estimated to constitute as much as 12 per cent of the total urban housing stock. Low cost secondary suites clearly have strong potential for producing affordable housing. Indeed, some municipalities have legalized secondary suites as a right and many others (and some provinces) are promoting this form of housing. However, some municipalities and homeowners are opposed to secondary units because of concerns about increased parking, revenue losses and overall neighbourhood density. Unfortunately, there is little rigorous effort to manage this situation and secondary units are not even monitored through Statistics Canada's qinquennial census. These issues will have to be resolved, as urban Canada clearly needs secondary suites as a means to provide affordable rental housing and to assist in the densification of our cities.

Affordability of Homeownership

The affordability of homeownership in Canada today is probably at an all-time high. In 1997, CMHC calculated that in major Canadian cities, 40.5 per cent of renter households in the prime house-buying age group (age 20-44) could afford to buy an average starter home in their market area. Twenty years ago, in the midst of the post-war housing boom, only 23 per cent could afford to do so. While this situation is improving, the affordability of homeownership is still one of the main problems of housing affordability. The difficulty of moving from rental to ownership housing is a central challenge for housing in Canada.

Several factors are involved in making homeownership affordable, including the price of starter housing, mortgage interest rates, property taxes, heating costs and household incomes as well as the ability to make a down payment. Urban planning measures have some ability to influence one of these factors, the price of starter housing, and not much ability to impact the others. However, house price is a very important factor. In cities having higher prices, on the West Coast and across Southern Ontario, housing is less affordable. Consequently it is in these places that there is the greatest opportunity for improving affordability through urban planning. The smaller urban areas in the Atlantic Region, Quebec and the Prairies are already Canada's most affordable places to live, so the pressure for them to bring in new planning measures is less severe.

Report Outline

This research project will examine six of the main measures within the development approval process that have been identified as having significant potential to improve housing affordability. These are:

- inclusionary zoning
- linkage programs
- density bonusing
- alternative development standards
- performance based planning and other flexible planning approaches
- development cost charges on an area basis.

A brief description of each measure is provided in the following figure.

Figure 2: Key measures to encourage affordable housing

Inclusionary Zoning

Inclusionary zoning (IZ) is a measure employed by a municipality or land use approval authority which requires, as a condition of approval, that a development project includes some special component desired by the community, usually affordable housing. For instance, a development may be required to contain a minimum percentage of ownership or rental housing for those who fall into a certain income group. Such requirements are often applied to large scale developments and, unlike density bonusing, are usually mandatory.

Linkage Programs

Developers (usually downtown commercial developers) are required to contribute to the supply of affordable housing as a condition of obtaining development approval. The contribution can be in the form of direct provision of housing by the developer or in the form of a fee. Fees paid can be accumulated by municipalities in a fund that is used to support affordable housing.

Figure 2: Key measures to encourage affordable housing (cont'd)

Density Bonusing
Density bonusing is a mechanism that allows zoning requirements to vary in exchange for provision of certain facilities and services that benefit the community. Facilities and services may include daycare, recreational facilities, community centres, or affordable housing. Typically, developers can be permitted to add more floor area or additional density, from which they derive more income, in return for the provision of an identified service or facility. Thus, the density bonusing system is an incentive-based voluntary contribution rather than a compulsory requirement.

Alternative Development Standards
Incorporated into planning and zoning regulations, alternative development standards can encourage the production of affordable housing by allowing the developer to build various components of a housing project to a lower standard than conventional. Examples of standards which may be varied include reduced lot sizes, setbacks, and road widths.

Performance-based Planning and Other Flexible Planning Approaches
Performance-based planning and zoning is an example of a more flexible and co-operative approach to land use planning, wherein the community and developer work together to define the kind of development outcomes they would like to see (as opposed to the conventional form of planning, which prescribes the means to achieve these goals).

Development Charges on an Area Basis
A development charge is a revenue-raising instrument that requires developers to contribute a fee to help finance growth-related capital costs as a condition of development approval. Development charges can be used to influence the creation of affordable housing. For instance, they can be applied on a per square metre basis (as opposed to a flat fee per unit) in order to provide an incentive to developers to create smaller houses.

Report Methodology

This study was designed to develop a thorough description of each of the six assigned municipal regulatory instruments, focussing on their impacts on affordability. Each of the measures has been the subject of previous CMHC research. Consequently, the research design had two main elements: reviewing the previous CMHC studies and other pertinent literature and obtaining views from the planning and development community. The review of North American literature on affordable housing, and municipal regulatory and financial instruments covered both government-related documents and Web sites, along with the academic and professional literature. Expert opinion was gathered using two techniques:

- a mail-out survey was sent to affordable housing stakeholders to obtain information about the six measures being studied. Respondents were asked to report on their experience with these measures, and the feasibility of their use in the local housing market. These stakeholders included municipal planning and housing officials, developers and builders, provincial planning and housing officials, local politicians and housing consultants. There was strong interest in the surveys, as about 110 completed responses were received from an original mailing of about 150 surveys.

- focused workshops were conducted to examine the measures in six urban regions across the country (Vancouver, Calgary, Toronto, Ottawa, Montreal and Halifax). Respondents to the survey were invited to these half-day sessions and an average of 15 people attended each workshop.
- a draft report was prepared and reviewed by several urban planning specialists, then final revisions were made.

Organization of the Report

Each chapter of this guide presents information on one of these six measures. For each measure, the following information is provided:

- what is the instrument and its purpose?
- what are the potential impacts of the instrument on affordable housing production?
- what experience do municipalities have to date (Canada and US)?
- what is the potential for further application of the instrument? What type of municipality might use the instrument?
- how can it be implemented? (e.g., successful administrative structures, options for the design of the instrument, financing methods)
- what is the likely response of the community to the introduction of the instrument and what problems might be encountered?
- what are the advantages and disadvantages of the instrument?

The final chapter considers some of the potential linkages among the six measures and places them in the larger planning context.

Prospects—Affordable Housing and Regulatory Change

During the next few years, Canada's urban development and regulatory community will need to become more familiar with measures that will improve the affordability of housing. In this era of unevenness in the global and domestic economy, good quality, environmentally-sound, economical housing will be increasingly desirable and the production of this housing will be a significant contributor to both local and national economies. As senior governments are withdrawing from programmatic activity to create affordability housing in favour of their constitutional and fiscal objectives, there will be a tendency to look for replaced production from other measures in the public domain, like urban planning measures. CMHC aims to assist consumers, industry and the approval process by producing relevant information about the potentials to assist affordability in some of the most frequently advocated planning reforms.

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2. Inclusionary Zoning

What is inclusionary zoning?

Inclusionary zoning (IZ) is a measure employed by a municipality or land use approval authority which requires, as a condition of approval, that a development project include some special component desired by the community, usually affordable housing. As such, it may also be termed "inclusionary housing". In the US, this measure has been described as the major land-use innovation of the 1980s. Canadian analyst Richard Drdla concluded "inclusionary zoning is the most prevalent of the regulatory mechanisms used by US municipalities to provide for lower-income housing."

The quantity of affordable housing required by IZ policies varies among municipalities, with examples ranging from 5-30 per cent, although in Canadian practice this "set aside" is usually about 20 per cent of the total housing in the project. The application of these inclusionary requirements is often limited to multiple-unit residential projects and large scale developments. It is usually intended that the resulting inclusionary units become part of an ongoing pool of affordable housing, which can only be sold to qualified recipients at affordable prices.

There are two main approaches to inclusionary zoning in North America: mandatory and negotiated. The mandatory approach—typically used in the US—is based on a zoning bylaw lay that lays out a rigid formula applicable to all developers in that zoning category. Canadian municipalities tend to use a negotiated approach whereby planners rely on a broader policy (e.g., from the official plan) to negotiate inclusionary requirements with developers on a site-by-site basis. This is a more flexible approach, but has a less predictable outcome.

The fact that IZ can create affordable housing in a real estate development without incurring public expenditure (or with reduced public expenditure) is particularly significant in periods when senior government's support for low cost housing is dwindling. Thus, IZ can may be especially useful for Canadian municipalities today.

Figure 3: Affordable housing built with density bonusing funding.

What are the potential impacts of inclusionary zoning on affordable housing production?

One measure of the impact of inclusionary zoning is its direct production of affordable housing. Since 1974, according to the California Coalition for Rural Housing Projects, cities and counties in California have initiated 75 inclusionary housing programs which, in combination with other measures, had produced more than 24,400 new affordable housing units by 1995 without direct cost to the taxpayer. (However, it should also be recognized that a total of over 3,750,000 housing units were built in that state during that period.) The most successful inclusionary zoning program in the US has been Montgomery County, Maryland, whose 1974 ordinance requires 15 per cent "Moderately Priced Dwelling Units" in developments exceeding 50 units. By 1999, it had produced nearly 10,000 affordable housing units. These are significant contributions to the affordable housing supply in their local housing markets.

Figure 4: Potomac Regency. Development of 200 units includes 26 moderately priced units. Montgomery County, Maryland.

Canada has not seen a parallel take-off in the adoption of IZ, although considerable activity is now underway in British Columbia and Ontario. Since 1988, the City of Vancouver has required that certain major developments include 20 per cent social housing. By 1999, this policy had applied to over 30 sites and had created a capacity for 2,670 social housing units, of which 705 had either been built or had been funded and were in development. In one area alone, the north shore of False Creek, a total affordable housing requirement of 1,704 units has been created, of which four projects have been built, generating 374 social housing units. Another project with 60 units has been funded for development.

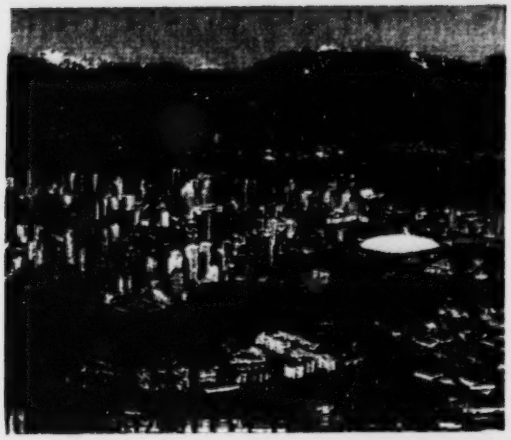

Figure 5: Inclusionary requirements amount to 1,704 affordable units. False Creek, Vancouver.

The City of Burnaby began inclusionary housing policies in 1986, with a requirement that all developments involving city-owned land must include 20 per cent affordable housing. This city has actively pursued affordability through the use of density bonuses and Comprehensive Development zones, in swapping bits of city streets and other land parcels for inclusionary objectives and in overall negotiations with developers (see case study in Chapter 8). As a result, since 1986 Burnaby has created 1,473 affordable housing units in 40 projects. Using the leverage of the inclusionary sites, Burnaby, which contains 11 per cent of the housing in the GVRD, secured BC Housing funds for 597 units between 1994 and 1998, which constituted 21 per cent of the GVRD's social housing. It is notable that Vancouver, which also employs inclusionary policies to help obtain affordable sites, during the same period, was able to secure 1,852 BC Housing units. The Burnaby and Vancouver experiences demonstrate that inclusionary policies can provide affordable sites, which can become leverage for use in combination with other measures to produce affordable housing.

In Ontario, there is no systematic monitoring of the impact of IZ policies so it is difficult to quantify the effects such policies have had on affordable housing production. However, individual municipalities using IZ policies have reported gradual improvements in their affordability situation and this may be attributed—in part—to such policy initiatives (see case study on Ottawa-Carleton in Figure 6.).

Figure 6: Inclusionary housing policy, Regional Municipality of Ottawa-Carleton, ON.

Since 1991, the Official Plan of the former Regional Municipality of Ottawa-Carleton (now amalgamated into the new City of Ottawa) has encouraged the inclusion of affordable housing. The plan included a policy statement that 25 per cent of housing must be affordable, and provided implementation measures. The current wording in the plan is:

Sct 3.3.2.3 Encourage the production of affordable housing and target at least 25 per cent of all housing produced over a five-year moving average in each local municipality to be affordable. Affordable housing is defined as housing, either ownership or rental, for which a household will pay no more than 30 per cent of its gross annual income. Affordable home ownership will be targeted to households up to the 60th income percentile,

Figure 6: Inclusionary housing policy, Regional Municipality of Ottawa-Carleton, ON. (cont'd)

and is calculated on the basis of a three-year average of the three-year mortgage rate, taxes at 1.5 per cent of house price and a down payment of 10 per cent. Affordable rental housing will be targeted to households up to the 30th income percentile.

Sct 3.3.2.4 Establish and monitor affordable rental and ownership prices each year, targeted to households at or below the 30th and 60th income percentiles respectively.

The following table demonstrates that the share of housing in the region is about three-quarters of all residential construction in the region and has increased steadily through the 1990s.

Proportion of all new housing that is classified "affordable" in Ottawa-Carleton 1991-1998

Year of Construction	Percentage "affordable"	
	Ownership	Rental
1991	28	83
1992	48	99
1993	52	81
1994	71	59
1995	69	78
1996	73	96
1997	83	88
1998	81	-

Source: Planning and Development approvals, RMOC

Contact: Sylvie Grenier, Planning Department, Regional Municipality of Ottawa-Carleton. tel. (613) 560-2053

What experience do municipalities have with inclusionary zoning ?

The rapid growth of IZ is indicative of a measure that is meeting a need. Inclusionary zoning took hold in quickly growing suburban regions of the United States, paralleling the cutback in federal funding for low cost housing. The first US inclusionary zoning policy was created in 1971, in Fairfax County, Virginia, with a requirement that in all new multi-family projects exceeding 50 units, at least 6 per cent had to be priced for low income, and at least 9 per cent priced for moderate income. When the ordinance was struck down by the courts as an unjust taking, the County added compensatory offsets and resumed with the policy. The next year a similar ordinance was instituted in neighbouring Montgomery County, MD and the model went on to become an enormous success. In 1985, when the state Supreme Court struck down exclusionary zoning, New Jersey passed a state-wide Fair Housing Act with provisions that required municipalities to include affordable housing in their developments. The publicity surrounding these court cases (known as the Mount Laurel cases) and New Jersey's responses, generated wide interest and IZ began expanding across the USA.

Inclusionary activities also burgeoned in California, in high-growth counties with vast, mile-square land development operations. Other states where there is active inclusionary housing activity include Colorado, Connecticut, Florida, Maryland, Massachusetts, Ohio and Oregon.

Inclusionary housing in Canada has been based on provincial and municipal policies that empower planners to negotiate with developers on a site-by-site basis. Although a more loosely structured approach than the mandatory zoning requirements used in most US cities, the negotiated approach has produced inclusionary housing in many locations, primarily in BC and to a lesser extent, in Ontario.

As mentioned above, in Canada IZ began in Vancouver in the late 1980s. Using the special powers conferred by its City Charter, Vancouver created inclusionary policies for the post-Expo development of False Creek North, then other major developments. The nearby City of Burnaby required that affordable housing be included in all large public developments. In 1992-93 the BC Commission on Housing Options recommended that the Province facilitate IZ, and in 1993 Bill 57 amended the Municipal Act, enabling local governments to undertake inclusionary zoning programs. By 1997, thirty-one were using Comprehensive Development zoning (which allows for IZ, density bonusing and municipal housing reserve funds), and 10 had some form of inclusionary requirement. In the larger cities—Vancouver, Burnaby, New Westminster, Victoria—the inclusionary policies have become a regular part of negotiations concerning large projects at higher densities, especially in central areas. A useful illustration of a recent initiative in inclusionary zoning is the case of Royal Bay in the Victoria region (see case study in Figure 7 on Colwood, BC).

Figure 7: Inclusionary housing principles embedded in a major development plan: Colwood, BC.

The recently approved Royal Bay development plan in the City of Colwood provides an excellent example of implementing an inclusionary housing policy in the planning of a major new community. Located along 1.5 kilometres of ocean beach, this 251 ha, south-facing slope will become the site of 2,800 new homes during the next twenty years. This will be an integrated, affordable community, and it will be the largest residential development in metropolitan Victoria and one of the largest and most innovative in Canada.

The main inclusionary features which have been integrated within the development plan are:

- a mix of incomes, ages and lifestyles
- residential land uses are mixed, with strong affordability attributes, overall and within phases
- main streets will support public transit, bicycle and pedestrian users with sidewalks, curbs and street trees throughout
- a multiple-use village centre (37,200 m^2) will feature a waterfront plaza and transit interchange

The specific zoning approved for the first phase entails the following package of "affordability" measures:

- 8 per cent "small lots" (52 lots)
- 54 per cent detached units with secondary suites permitted (355 units)
- 2 per cent duplex units (12 units)

Figure 7: Inclusionary housing principles embedded in a major development plan: Colwood, BC. (cont'd)

- 8 per cent non-market attached dwellings (50 units), (land to be transferred to non-profit society)
- 28 per cent market attached dwellings (185 units)
- other features include reduced road width requirements which can allow on-street parking and rear lane access.

As part of its inclusionary approach, at the same time it approved Royal Bay, the Council of the City of Colwood established an "Affordable Housing Reserve", a first for metropolitan Victoria. New developments are required to contribute $500 per unit to this fund, to be held by the City for use exclusively in creating affordable housing. Social housing units are exempt from this exaction. Also, Royal Bay's social housing units were exempted from paying Colwood's Community Amenity Contribution, currently $3,000 per unit.

This package of affordability measures, and particularly the inclusion of lower cost housing, is a significant innovation in Victoria's traditional housing market.

Sources: CitySpaces Consulting Ltd. Royal Bay Information Brochure, November 1998; and communications with City of Colwood Planning Dept.
Contact: Colwood Planning Department. tel. (250) 478-5590

Figure 8: Site of an innovative development using inclusionary principles. Royal Bay, Colwood.

In 1989, Ontario adopted its "Land Use Planning for Housing" policy statement, which encouraged municipalities throughout the province to achieve 25 per cent affordable housing in developing areas (later changed to 30 per cent before being replaced with a much vaguer policy statement with no numeric objectives in 1996). In response to this provincial initiative, many Ontario municipalities included affordability objectives in their official plans (e.g., Hamilton-Wentworth, Niagara, London, Peterborough, Ottawa-Carleton, and Kingston) and there have been inclusionary requirements negotiated in some major projects. For instance, in the former Regional Municipality of Ottawa-Carleton, where the official plan policy is to encourage 25 per cent of all housing in each municipality to be affordable, most developments over 30 units contain 15-25 per cent affordable units (see case study on Ottawa-Carleton Figure 6).

Figure 9: In Ottawa, most developments over 30 units contain 15-25 per cent affordable units. Central Park, Ottawa.

It is notable that, for several years the City of Toronto has been studying the potential of IZ to contribute to its approach to affordable housing. A detailed assessment of a mandatory type of IZ to produce affordable housing for ownership was completed for the City of Toronto and the Ontario Ministry of Housing in 1991. This report by the consulting firm Malone, Given Parsons estimated that in the early 1990s, if the City of Toronto required the inclusion of 10 per cent affordable housing in residential projects, about 200 units per annum could be created. The research concluded a 5-10 per cent inclusionary requirement in Toronto would not seriously distort development economics. Notably, Toronto could only impose such mandatory requirements if it was given increased powers by the Province of Ontario. In 1993, Toronto followed up the MGP study with a second research phase to consider the views of potential clients and examine problems foreseen in the legal aspects of starting an IZ program. A further study in 1997 concluded that a negotiated approach to inclusionary housing, involving incentives, would be more practical in the Toronto business climate than a mandatory IZ program. In 1999 the Mayor's Homelessness Action Task Force recommended that Toronto seek provincial amendment of the City of Toronto Act "...to require the inclusion of affordable housing in new residential developments." So far, Toronto has not pursued an inclusionary housing policy.

What is the potential for further application of inclusionary zoning in Canada?

The experiences of US states, and to a lesser extent, British Columbia, have demonstrated a growing role for inclusionary housing policies among the tools of urban policymakers who want to create affordable housing. IZ is established and growing in British Columbia, and has made some inroads in Ontario.

In considering the potential for expanded use of IZ, certain conditions seem better suited for this measure:

- The successful programs of California, New Jersey and other states are bolstered by supportive measures to assist the developer in meeting the inclusionary requirement, such as density bonuses, tax credits, or grants for assisted housing. In British Columbia, the inclusionary policies have been supported by the province's social housing program.
- Active provincial or state level involvement is almost essential. IZ also needs strong support from Council and senior planning staff to be effective.

- Probably better in larger developments. Smaller projects may not bear the cost of meeting inclusionary requirements.
- Better in high-growth areas. Developers can "wait it out" if authorities imposed IZ requirements that the developers considered too costly. In active markets, developers would be less willing to employ this holdout strategy.
- Better in higher-density districts: In less dense districts, developers have trouble meeting inclusionary requirements and density bonuses often can't serve as an inducement because the project doesn't need the density increases.
- In slow markets, compensating measures (incentives, density bonus) may be essential to the acceptance of IZ.

Some places may resist IZ more strongly. The fear is that housing development costs would be increased without much counterbalancing benefit.

While Canadian municipalities have not had as much experience with inclusionary housing as have some US jurisdictions, they are accumulating practical knowledge of this measure and its use is growing in this country.

How can inclusionary zoning be implemented?

Inclusionary zoning or housing programs are complex activities. At least three key variables are identified which should be considered when designing IZ activities:

Negotiated or Mandatory

In Canada, inclusionary housing is usually the result of negotiation between developers and planners, whereas when IZ is applied in the United States the inclusions are usually based on a formula that is uniformly applied to all projects in a given zoning category.

Ontario's 1989 "Land Use Planning for Housing" policy statement suggested that Official Plans provide for 25 per cent affordable housing within developing areas, but left it up to municipalities to negotiate implementation of this policy on a site-by-site basis. British Columbia's 1993 legislation authorized "comprehensive development zones" in which municipalities could negotiate with developers, increasing density and relaxing building envelopes in return for affordable housing or site amenities. The City of Vancouver bylaw concerning major developments is often cited as a mandatory IZ measure as it indicates rezonings for large developments must set aside sufficient land that 20 per cent of units can be affordable housing. However, Vancouver officials have explained that the actual percentage is often the result of negotiation as the total of City requirements (parks, community facilities, childcare, social housing, fees, other dedications and contributions) may jeopardize the viability of proposed projects.

In the mandatory IZ programs of California, New Jersey and a few other states, developers or builders are required to contribute a specified proportion of the project (the range varies from 10-30 per cent) as affordable housing, as a condition of receiving municipal or state approval for a real estate project. The resulting inclusionary units have primarily been sold to households at the upper end of the moderate income range. Incentives such as density bonuses, tax credits, waiving various levies or fees, accelerating the approval process, or reducing some development standards (often termed "offsets") are usually provided to ease the cost of compliance. In Canada, in most provinces it would be necessary to enact enabling legislation in order to provide such offsets programmatically.

Affordability and Resale Controls

Ongoing controls are necessary to maintain affordable prices on the units created by IZ. Whether the IZ units are sold or rented, municipalities must screen recipient buyers or renters to ensure they meet affordability criteria, sometimes using a public housing agency or non-profit group for the purpose. To keep the units affordable following the initial disposition, restrictions such as a resale pricing formula or an assignment to the housing authority of the right of first refusal on resale, are placed on the title. Another technique is creating a second mortgage, payable on resale to the municipal housing fund, which also may be automatically discharged on a graduated basis. In many cases, mortgagors would require that all of these resale restrictions be subordinated in the event of a default. Another complication that arises in developing effective controls is that if the resale controls are too stringent they act to inhibit the sale of the affordable units, which could be a serious problem for the entire program.

The duration of resale controls is another complication. Some California controls will continue for 35 years, while in other cases the price controls only last five years. The duration of the controls expresses the affordable housing authority's policy about how long the inclusionary housing is to remain affordable.

In most Canadian instances of IZ, resale controls have not been needed because the inclusionary requirements have been met by providing land to social housing agencies. These agencies use the sites to build social housing for rent, or to create a co-operative or condominium, all of which deal with the issue of ongoing affordability. As Quebec and British Columbia are the only provinces which still build new social housing, this approach is becoming less available.

Alternative Contributions

Developers may be allowed to contribute equivalent value in lieu of providing the housing to meet the inclusionary obligation. Some alternatives would be: providing the affordable housing at another site; paying cash in lieu (often done by small projects instead of parkland dedications); payment of a special levy, surcharge, or fee; or dedication of developable land. This is particularly useful for smaller developments. Creating a fund or charging a levy would require enabling legislation in most provinces.

What problems may be encountered in implementing inclusionary zoning?

There are issues of equity and effectiveness of inclusionary zoning, which often arise during public discussions and in interactions with the development industry. Developers criticize IZ as a tax levied on one class of business or landowner to address what is essentially a social problem. And to the extent that the developer passes the tax on to home buyers, or that it brings about a reduced price for raw land, IZ amounts to a tax paid by new home purchasers (or land sellers) to subsidize other new home purchasers (or renters) who have lower incomes.

Developers sometimes claim that inclusionary requirements diminish the affordability of their entire housing project by raising costs. In practice IZ does not raise costs but reduces the income from the inclusionary units, so there is not a transferred inflationary impact. Depending on market conditions, the affordable housing may actually provide a better yield than higher priced housing. Developers are also concerned that the provision of inclusionary

units on site may reduce overall project design flexibility, and may thereby increase unit costs and decrease potential values.

Problems may also arise in locating inclusionary units. It must be decided whether the inclusionary units are to be mixed throughout the market housing, or clustered together. In larger projects there are social arguments which favour clustering. A survey in Toronto found prospective buyers/residents of inclusionary units favoured scattered sites, and preferred living in existing neighbourhoods. During approval hearings, NIMBY forces may oppose locating the inclusionary units in the community.

Administrative issues may also arise that complicate the implementation of IZ policies. For instance, it may be difficult to determine the appropriate submarket price of the inclusionary housing. Ideally, there should be some equality among projects, both in the burden of the inclusionary requirement and in the amount of subsidy conferred to the recipients of the IZ units. Administrators must also address the question as to how the purchasers or renters of inclusionary units will be identified. Some possibilities, each of which has its own problems, include a first come/first serve approach, operating a lottery to decide who receives units, or establishing a waiting list of eligible purchasers or renters.

Other problems have been found in multi-phase projects, where the inclusionary requirement is to be met later in the project's life, guaranteed by subdivision agreements or deed restrictions. Over time markets change, properties change hands, costs increase and commitments to develop affordable housing may come under considerable pressure. In one Calgary project which obtained a density bonus in return for affordable housing to be built later, over time the market and project economics deteriorated to the degree that it became infeasible to proceed with the affordable portion.

Finally, there are extra costs associated with an inclusionary housing program, both at the planning approval stage and in the administration of the inclusionary units. Generally the ongoing costs of selling or managing the inclusionary units are handled by municipal housing agencies or non-profit housing organisations. High administrative costs are considered by planning officials as a drawback to inclusionary policies.

What are the advantages and disadvantages of inclusionary zoning?

Advantages

- it has significant potential to produce affordable housing, especially when applied on a mandatory basis
- with some limitations, it has been successful in the US states and few Canadian cities where it has been tried
- it is relatively inexpensive for municipalities to institute
- there is Canadian experience in the use of this measure.

Disadvantages

- it is not popular with developers and builders
- it cannot produce large volumes of affordable housing quickly
- its effectiveness decreases in places that are not growing quickly, and in smaller housing projects
- it is a complicated measure to implement.

Resources

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3. Linkage Programs

What are linkage programs?

Linkage fees are levied on commercial development in order to meet the increased demand for affordable housing that results from that development. The fees—which are also called a linked downtown-neighbourhood development policy, an office-housing linkage, a development impact fee or just simply, linkage—are paid as a condition of development approval.

Linkage fees were introduced in the early 1980s in US and Canadian cities as a measure to offset the adverse impact of new commercial developments on local housing conditions. This was based on the premise that commercial development often displaces existing affordable housing stock and generates housing need by attracting employees to a given area, often the downtowns of large cities. Unless developers pay to help address this need, all community residents will experience shortages and price increases. Linkage fees represent one method of ensuring that economic growth and prosperity in central cities is shared among a wide range of residents, including those who, historically, have not shared in the benefits of growth.

What are the potential impacts of linkage programs on affordable housing production?

Linkage programs have a direct impact on the production of affordable housing because they oblige developers either to build affordable housing or pay fees into a municipal fund dedicated to the building of low and moderate priced housing. According to a report by Richard Drdla who conducted a detailed analysis of the use of exactions for affordable housing in both the US and Canada, linkage programs are the most successful examples of all of the regulatory initiatives in terms of fees generated and housing produced.

The actual impact of this type of program depends on the amount of commercial activity in the districts being levied. When commercial activity is robust, the linkage program will be healthy, but when commercial development sags, so obviously will the linkage revenues. Impacts also depend on the level at which the housing obligation is set, something that varies considerably from city to city. Clearly, the higher the set rate, the more revenue will be gained from the same amount of development. Presumably, however, there is a point beyond which the linkage fee may kill the golden goose by undermining the financial feasibility of commercial projects. It has been argued by developers in the US that the real estate taxes forgone due to the cancellation of even one major commercial project because of linkage fees can erase the total potential gains from such a program.

Figure 10: Linkage programs in US cities and outcomes as of 1998.

Municipality	Start	Purpose	Outcome
San Francisco, CA	1981	Additional housing, preferably affordable.	$28 million in fees and direct construction for a total of 3,870 units at or below 120% of area median income
San Francisco, CA	1985	Housing affordable to households earning less than the area median income	$8.2 million in fees and direct construction for a total of 765 units
Boston, MA	1983	Affordable housing	$49.5 million in fees used to assist building of 4,150 non-profit units
Sacramento, CA	1989	Affordable housing to lower-income households	$6.9 million in fees
Santa Monica, CA	1986	Affordable housing to lower-income households	$4.8 million in fees

Outcomes from linkage programs can take several forms. Commercial developers can pay fees directly to the municipality, which then uses the money to finance housing projects or to support a municipal housing trust fund. Alternatively, developers may co-venture with housing developers or actually build or rehabilitate housing themselves. Some information on linkage programs outcomes from particular US cities appears in Figure 10.

Linkage programs have been used to address the housing needs of a wide range of incomes. Some concentrate on providing for low and very low income households that may have been displaced due to commercial development or whose housing costs would rise because of the local growth economy. Others have targeted the type of moderate income families that will be attracted to the area by virtue of the commercial development levied. Some programs focus on the needs of the homeless or other special needs groups.

What experience do municipalities in the US and Canada have with linkage programs?

The first linkage fees were introduced by large central cities in the US with strong downtown commercial growth in the late 1970s and early 1980s. Linkage fees are now used widely in cities both in California and the Northeast of the country. A 1991 survey of the nation's 133 cities with populations greater than 100,000 showed that 13 cities, or 12 per cent of the 133, make use of a housing linkage program.

San Francisco's planning department originated the concept of linkage when it instituted its Office Housing Production Program in 1981 (see case study in Figure 12). Other cities experiencing robust downtown growth, such as Boston, Seattle, Miami, and Washington, D.C. soon followed suit with linkage programs, although somewhat different than San Francisco's. Some programs were mandatory; others were optional and combined with density bonuses. Some applied only to office developers, other to all non-residential uses and some to multi-family residential developers as well. Some applied only to downtown development, others to all development within the jurisdiction. Some were intended to generate all types of housing while others focused on affordable housing.

Figure 11: Seniors housing in a converted hospital. Mercy Terrace, San Francisco.

Figure 12: Linkage fee program: San Francisco, CA.

With its downtown booming and affordable housing drying up, San Francisco instituted the first linkage program in 1981. After being criticized for not being focused enough on the provision of affordable housing, the program was revised in 1985. The new program targets housing for households earning at or below 100 per cent of the area median income. According to the new Office-Affordably Housing Production Program, office developers in the downtown core larger than 2,300 square metres are required to create affordable housing at a rate of 0.415 units per 100 square metres of additional office space. Developers can elect to pay US$75.86 per square metre of office development in lieu of direct creation of housing. This amount was calculated as being half the public cost of providing housing affordable to the additional lower-income residents attracted by the new office developments.

The housing obligation can be met through construction, rehabilitation, conversion of non-residential uses to housing, or payment of the fees to the city's trust fund or an approved non-profit housing developer. Sixty-two per cent of the units created by the developer must be affordable to the target households and stay so for a minimum of 50 years. Fees paid to the trust fund are dedicated entirely to the provision of housing for these households.

From 1985 to 1990, office developers paid $4.2 million into the city housing trust fund and paid $4.0 million directly to housing developers. The trust fund (with assistance from senior governments) assisted with the development of 421 housing units, mostly affordable rentals. A further 344 units were created by direct contribution to non-profit developers. After 1990, office development applications lapsed, but in the late 1990s, activity is picking up, with enough office development applications in the pipeline to create an additional 890 units.

Source: Richard Drdla Associates. 1998. Municipal Regulatory Initiatives: Providing for Affordable Housing. Ottawa: CMHC Research Report.
Contact: Joe LaTorre, Mayor's Office of Housing, City of San Francisco.
tel. (415) 252-3188

In Canada, several western municipalities have experience with linkage programs. Two municipalities in BC (Richmond and Whistler) and one in Alberta (Banff) are currently exacting fees to fund lower income housing. The Whistler and Banff programs follow the

US linkage fee model i.e., they impose a levy on commercial development in order to help meet the expected increase in demand for new housing as a result of that development. The Richmond case is different in that large residential developments requiring rezonings are targeted for the exaction. There are no guidelines on the size of project affected nor on the value of the contribution, which is negotiated on a site-by-site basis. In Toronto, linkage fees were proposed as part of the 1990 official plan review, but the real estate collapse and recession of the early 1990s reduced its feasibility and no action was taken.

Figure 13: Staff housing. Banff, Alberta.

Figure 14: Linkage program. Town of Banff, Alberta.

With a robust tourism-based economy and a limited land base, the Town of Banff has experienced housing shortages for employees in the tourist industry. Since 1990, the town has required (as a zoning condition) new commercial development to provide housing at a rate of one-half bedroom per employee. The actual amount of housing required differs among various types of commercial development, depending on their average employee generation. For instance, for institutional uses, a contribution of one bedroom is required for each 200 square metres of floor space built. For restaurants, the contribution is only 20 square metres. In lieu of building new housing, developers of small commercial projects may elect to contribute $15,000 per bedroom to the towns housing reserve fund. The housing must be completed before the commercial development can be occupied.

As many developers choose to build housing instead of paying the linkage fee, the fund has collected only $570,000 to end of 1999. This money is forwarded by the municipality to the town's housing corporation, which uses the money to develop housing that is sold or rented at below market rates. About 125 units have been created in this way. Approximately 100 more units per year are provided directly by the commercial developers involved. While this housing targets no particular income group, developers tend to build smaller units that are expected to remain reasonably priced.

Sources: Richard Drdla Associates. 1998. Municipal Regulatory Initiatives: Providing for Affordable Housing. Ottawa: CMHC Research Report; and interview with Bill Brown, Town of Banff.
Contact: Bill Brown, Planning Department, Town of Banff. tel. (403) 762-1215

What is the potential for further application of linkage programs in Canada?

In the US, soft commercial markets have dampened the potential for this instrument to contribute to affordable housing production in many housing markets. Had the boom conditions of the 1980s persisted, a wide diffusion of linkage fees could have been expected in the 1990s. Instead, those cities that adopted the most aggressive linkage fees have considered scaling them back in order to stimulate economic growth.

Despite this lull in the US, linkage fees are still more prevalent there than in Canada. This can be explained, in part at least, to the different legislative and legal contexts in the two countries. Most of the US exaction programs are in states that have passed legislation or where courts have handed down decisions requiring municipalities to provide for affordable housing. State legislation and court decisions often direct municipalities with lower than their fair share of affordable housing to reduce barriers and provide incentives to affordable housing production by the private sector. Those municipalities that fail to meet the objectives may suffer penalties (e.g., loss of state aid for municipal services). Some states (such as California) have specific legislation enabling municipalities to adopt linkage fees under certain conditions (e.g., the municipality must show that the fees are reasonably related to the impacts caused by the affected developments).

In Canada, provincial planning legislation often favours the production of affordable housing in principle, but typically there are no legislative or court imposed requirements for municipalities to adopt affordable housing policies. Nor are there quantitative objectives or penalties for municipalities with poor records on affordable housing. Requiring municipalities to adopt linkage programs along the lines of those set up as seen in the US would probably require legislative amendments in most Canadian provinces and territories.

However, the fact that linkage fees have been successfully established in certain Canadian jurisdictions and given the large sums of money that can be raised through this mechanism suggests that there may be a wider role here for linkage fees as senior government funding for social housing recedes. Their wider use will depend to a large extent on the local conditions that make their adoption desirable and feasible in specific jurisdictions. These conditions include whether or not enabling legislation is in place to encourage municipalities to adopt linkage fees and whether the private housing market is able to keep pace with employment growth in the municipality.

How can a linkage program be implemented?

They are two basic approaches to calculating the housing obligation imposed on developers: Some municipalities (like Berkeley in the US or Richmond in Canada) have linkage fees calculated on a project-by-project basis while others (like San Francisco in the US or Whistler in Canada) have adopted bylaws that apply a formula to all projects e.g., on the basis of building floor area. Uniform fees have the advantage that they offer certainty to the developer and the municipality about the amounts to be paid. Also, formulaic fees relieve both parties of the burdensome and expensive task of having to negotiate exactions for each project. On the other hand, negotiated fees allow municipal officials to take into account special characteristics of a project that might make it very desirable from a municipal point of view (e.g., historic preservation or job creation). It also allows officials to prepare shadow pro formas on each project to assess its ability to pay, a mechanism that minimizes the chance that the fee will push an otherwise desirable project past the margin of feasibility (Mayer and Lambert, 1988).

Almost all linkage fee programs allow the developer to build or have built an equivalent amount of the target type of housing (or to subsidize rents) rather than pay the fees. When developers elect to pay the fees, the money is deposited by the municipality into a housing trust fund or a reserve account dedicated to supporting affordable housing production in the affected area. The funds are typically administered by a municipal housing agency, but it is common for a community board to be established to oversee strategic decision-making. The linkage fees going into the accounts are often supplemented by revenues from other sources (e.g., municipal appropriations, real estate transfer taxes, gaming revenues, proceeds from development activities, or senior government housing programs).

Figure 15: Setting up a housing trust fund campaign.

Cities, counties and states have established housing trust funds (HTFs) in the US as locally-based ways of supporting lower income housing. They first appeared in mid-1970s in the US, but did not really become a trend until the 1990s. There are now 150 trust funds in across the US. Their revenue is secured through legislation or local ordinances. Taken together, HTFs in the US commit some $400 million to housing projects each year.

Since the mid-1980s, five trust funds have been set up in cities in Canada: in Saskatoon, Vancouver, Whistler, Banff and Winnipeg. Local housing providers are campaigning to set up funds in three other jurisdictions: New Brunswick, Montreal and Edmonton.

Campaigns to set up an HTF vary widely in nature, but are usually driven by a coalition of community-based agencies such as local non-profit and co-op housing associations, native housing groups, social planning councils, boards of health, social service agencies and local government departments.

An illustration of the steps entailed in setting up an HTF campaign was provided in a recent CMHC report by Mary Brooks. It lays out the key steps in setting up a HTF campaign:

1. Organize the key participants of the campaign.

2. Establish committees to get the preliminary work done:
   - outline current housing needs and existing housing efforts
   - assess and secure resources needed to conduct a HTF campaign
   - develop a mission statement and timeline for the campaign.

3. Develop the HTF proposal:
   - determine who will administer the trust fund and whether an advisory board will be needed
   - outline how the fund will distribute funds and eligibility requirements
   - identify key potential revenue sources to be dedicated to the trust fund

4. Develop a short written description of the HTF proposal.

Figure 15: Setting up a housing trust fund campaign. (cont'd)

5. Outline the elements of the campaign and responsibilities for each part:
   - identify and secure names of supporters of the proposal
   - develop an advocating strategy with key targets
   - develop a strategy for working with the opposition
   - create fun and visible aspects of the campaign.

Source: Brooks, Mary. 1999. Guide to Creating Housing Trust Funds in Canada. Ottawa: CMHC Research Report.

Trust funds typically provide grants, forgivable loans and long-term loans to cover such items as purchase and renovation costs, pre-development costs, outstanding real estate taxes and marketing costs. Funds may also be used to purchase development sites and lease or sell them to private or non-profit developers at below market rates. Awards are typically made through a competitive request for proposal process during which projects are ranked on a number of pre-established criteria. Support is often conditional on a guarantee that units supported remain affordable to the intended beneficiaries for the longest possible period. Awards typically encourage leveraging of other public and private resources. In some cases the funds are directly involved in building affordable housing.

To summarize, the design of a linkage fee program involves a number of key choices:

- mandatory or voluntary with some form of incentive offered to developers (e.g., density bonusing)
- applied on a project-by-project basis or municipality-wide according to a standard formula
- applied to commercial development only or to other large projects, including residential
- funds to be used to stimulate the creation of housing that responds to what level and type of need
- type of administrative agency to set up in order to manage the funds collected i.e., a public housing authority or a community board.

What problems may be encountered in implementing linkage programs?

The imposition of any charge or tax raises equity concerns. However, linkage programs are imposed principally on large commercial developers, who are often seen to be very wealthy and therefore do not attract broad public support. Furthermore, the main impacts of having to pay linkage fees are felt by other commercial interests (e.g., through impacts on the price of commercially-zoned land, or rental space), and do not affect the public directly. On the other hand, the problems of housing shortages and price increases occasioned by commercial development are highly visible to the public. Thus, linkage fees are attractive to local officials as a relatively painless way to raise the substantial funds needed to solve a pressing community issue.

However, the affected developers may be intensely opposed to the introduction of linkage fees. Opponents claim that linkage fees applied to downtown projects make these projects too costly to be competitive with suburban office development. Opponents also say that the housing affordability problem is a deep and long standing community problem, related to rent control, tax policy, income distribution, employment levels and other social conditions

not directly related to their particular projects. Thus, they question the fairness of being coerced to take responsibility for addressing the problem. These arguments are more likely to be positively received by local officials in cities trying to attract new commercial development. In cities where commercial development is strong, these arguments are usually less persuasive.

Because linkage fees are based on the assumption that certain forms of commercial development create a need for an increased supply of affordable housing, they are open to technical challenge on this ground i.e., that employment development creates no such need. In the US, court battles have been fought over just this question and in some important cases, lost by linkage advocates. This is most likely to happen (in Boston, for example) where no detailed study has been done to justify the linkage program.

Thus, municipalities undertaking to establish linkage programs need to justify their imposition with studies showing the link between the commercial development and the exacted fee. Such studies can be expensive, but this and other costs associated with implementing and administering a linkage program are minor relative to the revenue raising potential of the measure under favourable conditions.

Like inclusionary zoning and density bonusing programs, linkage policies also present administrative problems with respect to the allocation of the affordable units that result from program implementation. Ensuring the long term affordability of units is another administrative challenge.

What are the advantages and disadvantages of linkage programs?

Advantages include

- in communities with unbalanced growth (e.g., in tourist areas, or cities with strong commercial development downtown), linkage fees can help address the affordability issue and defuse calls for growth controls
- potential to supplement supply of affordable housing may be high
- enjoys political support of residents in affected communities
- relatively easy to administer.

Disadvantages include

- municipalities trying to attract commercial development may shy away from imposing linkage fees
- if the fees are imposed on developers, it may make certain developments unprofitable
- may be open to challenge on technical or legal grounds i.e., questioning whether housing problems can be linked to incoming developments
- administrative challenges make effective implementation tricky.

Resources

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4. Density Bonusing

What is density bonusing?

Density bonusing—also known as incentive zoning—is a mechanism that allows zoning requirements to vary in exchange for provision of certain facilities and services that benefit the community. Facilities and services may include daycare, recreational facilities, community centres, or affordable housing. Typically, developers can be permitted to add more floor area or additional density (in the context of good planning) from which they derive more income, in return for the provision of an identified service or facility which could include housing. Thus, the density bonusing system is an incentive-based voluntary contribution rather than a compulsory requirement (in contrast to linkage fees or some forms of inclusionary zoning).

Density bonus programs have been successfully applied in major downtown areas and other developed areas such as waterfronts and major highways. Only in these areas can valuable revenue-generating space be offered in sufficient quantity to invite participation by developers. Furthermore, only in these areas will the increased building size generally not adversely affect the surrounding environment or infrastructure.

Density bonusing is part of the trend towards the use of local zoning powers to address the lower income housing needs brought about by the expanding private investment in North America's downtowns. It is a broad and flexible device, legally grounded in the requirement that zoning regulations have a substantial relation to the public interest. This type of incentive however, requires a high degree of economic activity and a strong real estate market. The technique is most often used in central cities, especially in the commercial core. Density bonusing can be applied to commercial projects—mainly for major office projects but sometimes retail and hotel projects—or for larger residential projects.

Local approaches to density bonusing can be divided in two categories "as-of-right" and "negotiated" agreements. As-of-right provisions apply uniformly across large areas using rules that are set out in the zoning bylaws. In contrast, negotiated agreements are prepared through site-specific negotiations based on general guidelines found in community or district plans.

What are the potential impacts of density bonusing on affordable housing production?

In principle, density bonusing can be an effective instrument in contributing to the production of affordable housing. It has the potential to contribute to the building of ownership units, rental units as well as renovations/rehabilitations. Examples of affordable housing that can be produced through this measure include:

- units developed under senior government housing programs
- private market affordable units
- price-controlled limited equity market units
- units controlled, managed or owned by non-profit housing groups providing affordable housing
- guaranteed rental units with rent control mechanism

- housing for people with special needs
- provision of accessible or adaptive units.

Residential density bonusing programs are usually directed as a first priority at securing affordable housing units in the US or developable land for affordable housing in Canada. Fees-in-lieu are sometimes accepted, but generally only when those first priorities are not feasible.

This voluntary measure is embraced at times of economic and building booms in cities with strong real estate markets. The outcomes of some US and Canadian programs are shown in Figure 16. The actual number of affordable units produced in the US through residential bonusing do not appear to be impressive. This can be explained by the fact that few US inner cities are attracting new market housing. Consequently, the prospect of building more market housing in exchange for contributing community benefits has little attraction for most residential developers. For commercial bonusing, performance was limited by the downturn in the commercial real estate sector in the late 1980s.

Figure 16: Experience with density bonusing for affordable housing, sample US and Canadian Cities.

City	Start of program	Type of bonusing	Mode of bonusing	Target Housing	Outcome
New York City	1961	Residential	As-of-right	Rental housing Affordability guaranteed for 20 years	1,325 units
Seattle	1985	Commercial	As-of-right	Lower income housing New and rehabilitated	166 units
Vancouver	1988	Residential	Negotiated agreements	Non-profit core need households	land for 2,500 units (800 completed)
Toronto	1983*	Commercial and Residential	Negotiated agreements	Assistance for non-profit housing and lower income housing	$19 million and land for about 6,000 non-profit units

* Prior to 1983 before the incorporation of Section 37 in the Ontario Planning Act, density bonusing was used on an ad-hoc basis.
Source: Richard Drdla Associates. 1998. Municipal Regulatory Initiatives: Providing for Affordable Housing. Ottawa: CMHC Research Report; and City of Toronto. July 12, 1999. Further Report on Section 37 of the Planning Act in the Context of Development Charges. Toronto: Policy and Finance Committee.

What experience do municipalities in the US and Canada have with density bonusing?

New York City was a pioneer in the use of incentive zoning. Its zoning code was amended in 1961 to allow the city to award density bonuses to developers who would preserve lower income housing in mixed-income areas experiencing a shift to upper income housing. From

New York, use of the instrument spread to other large and growing cities, such as Seattle (see case study in Figure 18) Washington, Delaware and Hartford.

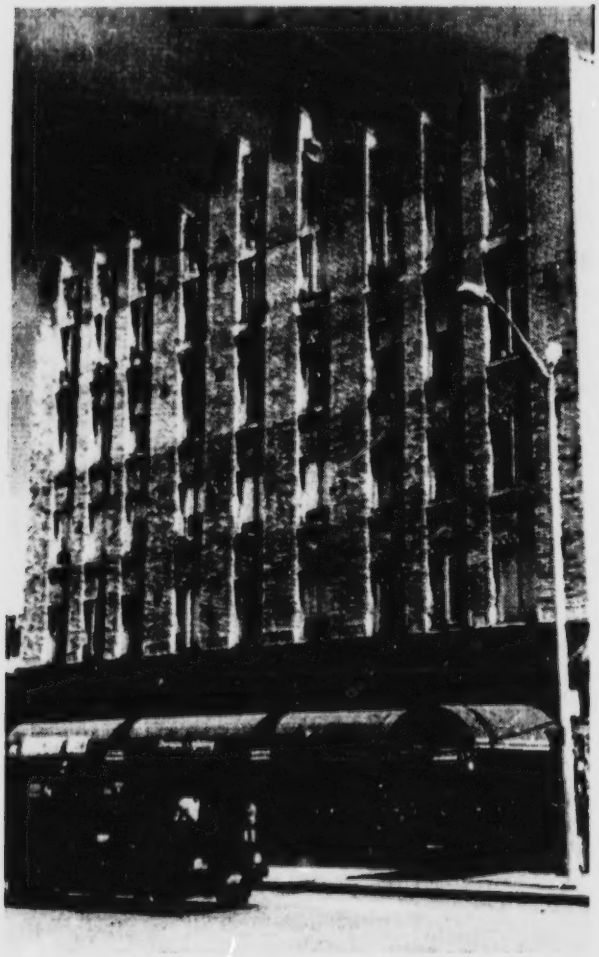

Figure 17: Affordable units built from funds raised through density bonusing. Julie Apartments, Seattle, WA.

Figure 18: Downtown Housing Bonus Program. Seattle, WA.

The City of Seattle has implemented an elaborate density bonusing program for downtown office projects. Under its provisions, commercial developments in certain downtown areas can obtain additional developable floorspace in exchange for providing public benefits, including affordable housing. The additional commercial floorspace can be earned in a number of ways: by constructing new housing, rehabilitating vacant units, converting commercial buildings to residential use, or contributing cash to an approved housing fund or non-profit housing development. The value of the added commercial space is calculated to be about 30 per cent more than the value of the housing obligation. The affordability of units built or rehabilitated must be guaranteed for 20 years.

Figure 18: Downtown Housing Bonus Program. Seattle, WA. (cont'd)

The housing bonus program has been used on four large commercial projects. Together, these projects received bonuses in exchange for payments of over $2.7 million, which was used to assist in the provision of 159 lower income units. Two other projects were recently approved and another recently proposed, with the potential for assisting with an additional 76 affordable units. The relatively small output has been attributed to three reasons: the backlog of already approved office developments when the program was started, the intervening real estate recession and the effect of competing public benefit programs offered to developers by the City.

Source: Richard Drdla Associates. 1998. Municipal Regulatory Initiatives: Providing for Affordable Housing. Ottawa: CMHC Research Report.
Contact: Laura Hewitt Walker, Office of Housing, City of Seattle. tel. (206) 684-0429

The City of Toronto has long experience in using density incentives to secure public benefits. Originally, the agreements were used to secure land suitable for non-profit developments. The city started accepting cash-in-lieu in early 1986 when suitable sites became more difficult to find. With time this became the main form of assistance and the payments were deposited in the city's Social Housing Reserve Fund. Between 1982 and 1999, increased density was used to obtain sites capable of accommodating approximately 6,000 non-profit units and cash-in-lieu of nearly $19 million. Density incentives have also been used for the preservation of heritage buildings, securing workplace daycare and other facilities and services (see case study in Figure 19).

Figure 19: Density bonusing. City of Toronto, ON.

The former City of Toronto Official Plan contains policies that allow the city to seek public benefits from development applications that include requests for increases in height and density. These benefits include but are not limited to social housing, non-profit community, cultural and institutional facilities, heritage preservation and parks. The means by which these benefits are commonly secured is through an agreement pursuant to Section 37 of the Ontario Planning Act. The Official Plan requires that there should be a relationship between the value of the increase in height and density and the cost of providing the public benefit.

A contemporary Official Plan and Zoning Bylaw Amendment Application can illustrate Toronto's density bonusing policies in action. The application concerns a 1008.5 square metre site located at the south-east corner of Bay and Charles Streets. The proposed development is a 21-storey (76.8 metres high including mechanical penthouse) mixed-use building containing 154 residential condominium units with street related retail and service uses at grade and five below grade parking levels containing 107 parking spaces. The proposed total gross floor area is 11,935 square metres (11.8 times the area of the lot). The zoning bylaw permits a maximum total density of six times the area of the lot, with a maximum commercial density of one times the area of the lot. Amendments are required to the Official Plan to permit the increase in density from 6.0 to 11.8 times the area of the lot and provide for the entering into of an agreement pursuant to Section 37 of the Planning Act, to secure various facilities and services.

Figure 19: Density bonusing. City of Toronto, ON. (cont'd)

This is a small site, and not all of the applicable benefits could be accommodated as part of this development. Consequently, an in-lieu financial contribution toward existing City initiatives for affordable housing and open space development was found acceptable. These contributions address issues specifically related to Official Plan objectives. The public benefits package is as follows: a $500,000 contribution of which up to $50,000 may be utilized for non-site related streetscape improvements in the vicinity east of the site and up to $150,000 may be used for public art on the building or site, subject to the approval of the Public Art Commission. Of the remainder of the funds, a minimum of $200,000 is to be provided to the City for deposit in the City's Capital Revolving Fund for Affordable Housing and a minimum of $100,000 is to be provided to the City for deposit in the City's reserve fund for parkland development in the vicinity of this site.

Source: City of Toronto. 1999. Final Report—Official Plan and Zoning Bylaw Amendment Application No. 198012.
Contact: Planning Department, City of Toronto. tel. (416) 392-7863

Other Canadian cities, notably Vancouver and Burnaby, have also used residential density bonusing systems—Vancouver since 1988 and Burnaby since 1987. Both these cities have negotiated agreements with developers to get land for non-profit housing in major residential developments.

Figure 20: Affordable housing built on land contributed by the developer as part of a density bonus agreement. Medison Centre, Burnaby.

The Canadian programs differ from their US counterparts in several important respects. Firstly, they are usually based on negotiated agreements rather than the more common as-of-right process used in the US. Secondly, the Canadian approach implements bonusing as part of comprehensive development agreements, covering matters other than the bonusing issue. This means that quite often there is no explicit relationship between the increase in density and the provision of affordable housing. Finally, whereas density bonuses in the US are usually determined in relation to pre-established residential densities, the Canadian programs usually apply on rezonings from industrial use. Thus, base densities are not established upon which the bonus is clearly added. These features have made Canadian arrangements less transparent than their US counterparts and somewhat more difficult to emulate in practice.

However, Canadian municipalities using density bonusing are moving towards more formal arrangements: although they are not adopting the highly codified as-of-right systems that predominate in the US, they are making the rules for negotiated agreements more consistent and transparent. The Toronto case study in Figure 19 shows this progression in that city and several BC municipalities have recently moved forward with a more formal density bonusing systems. This is a result of the 1993 provincial legislation giving local governments clearer authority to offer increased densities in return for affordable housing and other amenities. The density bonusing provision is already being used by 24 municipal governments in the province and another 19 are considering its use. Of those municipalities already using density bonuses, 22 are including affordable housing among the public amenities to be achieved through housing agreements with developers.

Under the new legislation, density bonusing can be used for both commercial and residential projects and can be implemented either on an as-of-right or project-by-project basis. The former method embeds the density bonus provisions in zoning bylaws that apply to a wide range of sites whereas the latter makes use of a special zoning provision called Comprehensive Development Zoning (see case study in Chapter 8).

What is the potential for further application of the density bonusing in Canada?

Density bonusing can be successful where development is considered attractive both from an economic perspective and from a community acceptance point of view. Density bonus programs are generally associated with major downtown areas or similarly developed areas that are experiencing or expected to experience sustained pressures for growth. Only in these areas can valuable revenue-generating space be offered in sufficient quantity to invite participation. Furthermore, only in these areas will the increased building size generally not adversely affect the surrounding environment or infrastructure.

Density bonusing by municipalities requires provincial enabling legislation. Section 37 of the 1989 revisions to the Ontario Planning Act, the amendments made to the British Columbia Municipal Act in 1993 and the introduction of Incentive or Bonus Zoning in the Municipal Government Act of Nova Scotia in 1999 have enabled municipalities in these provinces to enact bylaws to implement density bonusing. The use of density bonusing in other provinces would require legislative changes.

How can density bonusing be implemented?

Experience in Ontario and British Columbia suggests the following steps in implementing a density bonus system:

1. **Evaluation/assessment**
   Assess the potential benefits of density bonusing taking into consideration local conditions. Define the housing the city wants to achieve.

2. **Key principles**
   The goals and objectives of a density bonus system needs to be clearly articulated.

3. **Area studies**
   Conduct area studies to determine in what areas of the city bonusing could be used. Establish reasonable, fair minimum thresholds for development size and density increase that make sense.

4. **Consultation**
   Consult with the development industry and the local community.

5. **Policy guidelines**
   The results of the above steps will be consolidated in policy guidelines which will be included in the community plan.

6. **Zoning Bylaw**
   The zoning bylaw can set out basic densities for a given area and alternative densities that will be granted should the developer meet specified conditions relating to the provision of a community facility or service (including housing) as outlined in the bylaw.

7. **Monitoring and accountability**
   Regular (e.g., annual) reporting on status and disposition of public benefits that are secured through the bonusing program.

There are several practical considerations local governments must assess before developing a density bonus system. These are:

<u>As-of-right vs. negotiated bonusing</u>

- The municipality has to decide whether to take advantage of the clarity and consistency of a bonusing system applied within particular zoning districts and allowing developers who meet certain conditions to benefit from density bonuses as-of-right or to opt for site-by-site negotiations with developers that allows municipalities the flexibility of taking into account economics, location, site size and the current state of the market.

<u>Cash-in lieu versus cash</u>

- The municipality will need a policy on what is the accepted method of payment in exchange for the additional density, cash, land, actual built units, or cash-in lieu.

<u>On-site housing versus off-site housing</u>

- The municipality needs to evaluate and decide whether the housing requested should be on the development site or could be accommodated elsewhere.

<u>Setting upper limits to bonusing</u>

- Setting upper limits to bonusing provides a degree of predictability to both the developer and the community. It is the subject of preliminary studies and it is included in the policy documents as well as in the bylaw.

<u>Calculating the bonus</u>

- In order for the bonus to be attractive to the developer, its value has to more than cover the cost of providing the housing. There are various models to assist municipalities interested in establishing a formal system of calculating exchange value. The British Columbia Model Bylaw lists four models: Equivalent Land Cost Model; Equivalent Development Rights Model; Rate of return on Investment Model; and Marginal Cost to Profit Model.

How to ensure commitment to deliver the housing

- There are several ways to ensure that the affordable housing units promised are actually delivered through the bonusing system. The municipality can require:
  - a legal agreement to deliver the amenity or affordable housing
  - construction before the final registration of subdivision or building permit/occupancy permit
  - provision of an irrevocable letter of credit.

Who to manage units obtained through bonusing

- The management of affordable or special needs housing units obtained with the help of bonusing creates challenges for the municipality because developers are not usually interested in operating these units. Municipalities could consider managing the bonused units. As another option, the municipality could require a third party, such as a non-profit group, to manage these units. In these cases, the developer may find it works best to engage the non-profit group at the outset.

What problems may be encountered in implementing density bonusing?

Motivating developers to take up the offer of the density bonus can present a challenge to municipalities interested in using this instrument. In fact, city planners already find that they often want more density in new projects than do developers. In these cases, it is clear that bonusing would not succeed as a "carrot" to encourage developers to undertake desired actions and other mechanisms would have to be employed.

The use of density bonusing to assist the production of housing is a relatively new concept for many local politicians. Thus they are not fully aware of what can be obtained through the system and perceive it to be a complicated, potentially expensive system to implement (e.g., in managing the housing obtained through bonusing). This engenders political reluctance to initiate density bonusing, especially under conditions of municipal staff shortages.

Any public discussion about increasing residential densities has the potential to raise community hackles. Thus, a thorough public process is required to firmly establish the community's priorities and guide the design and implementation of the bonusing system. Communities often feel more comfortable with as-of-right bonusing programs, which provide relatively predictable outcomes. Many developers also favour this approach as it provides them with a level playing field and reduces the financial uncertainty associated with the project.

What are the advantages and disadvantages of density bonusing?

Advantages

- can deliver substantial number of affordable units when applied to larger projects, central areas and expanding markets
- can obtain affordable housing from the private sector with a minimum of municipal involvement
- can be used to increase densities where this is desired for planning purposes (e.g., to encourage intensification of downtown areas and around transit stations).

Disadvantages

- it is not a blanket measure applicable to most cities and circumstances
- won't work where developers are not interested in achieving higher densities

- its implementation requires special studies and extensive community consultation
- may be challenged as giving too much discretion to municipal officials (site-by-site approach) or as too inflexible (as-of-right approach).

Resources

- American Planning Association. 1982. Planning Advisory Service, Bonus Provisions, Bonus No. 1. Incentive Zoning. Chicago: APA
- British Columbia, Ministry of Municipal Affairs and Housing. 1997. Density Bonus Provisions of the Municipal Act: A Guide and a Model Bylaw.
- City of Toronto. July 12, 1999. Further Report on Section 37 of the Planning Act in the Context of Development Charges. Toronto: Policy and Finance Committee.
- Richard Drdla Associates. 1998. Municipal Regulatory Initiatives: Providing for Affordable Housing. Ottawa: CMHC Research Report.

5. Alternative Development Standards

What are alternative development standards?

Alternative Development Standards (ADSs) are flexible planning and engineering standards that provide a range of alternatives to the current standards used for the design and construction of communities. They may include standards relating to lot sizes and frontages, siting of houses on lots, street pavement, shared utility trenches and right-of-way widths, and parking requirements. Using alternative standards can result in a net cost reduction per dwelling unit. ADSs can also contribute to lower unit costs since they create more compact and dense communities. When these savings are passed on to the consumer, the reduced standards can create a more economical housing product to owners.

The conventional standard development model used across North America and still prevalent in Canada is characterized by:

- the predominance of "single-family" detached dwellings on large lots
- the rigorous separation of different housing form
- the rigid separation of land uses in distinct districts
- an increased reliance on the private automobile.

This model of development is not only unaffordable to a large segment of the population and to the community at large, it is also wasteful from an environmental perspective. Changing conditions—economic, environmental and demographic—are challenging this approach to urban development. The last two decades saw increased demands for more flexibility in development standards that would permit more compact and innovative community design, reducing the cost of housing and creating more sustainable communities.

Key alternative planning standards include: house-to-street relationships; building scales; lot frontages and sizes; and the use of rear lanes. Key engineering alternative standards include the right-of-way width, parking; boulevards (both sidewalks and grass portions); curbs; storm drainage systems; sanitary drainage systems; water distribution systems (including fire hydrants); linear utilities (electric, telephone, cable television and gas); aboveground utility installations such as electrical transformers and switch gear and telephone and cable television pedestals; streetlights; and trees.

While the ADSs addressed in this guidebook are mainly geared to local or neighbourhood scale suburban type ownership housing, the ADS concept applies to both local and regional (community) scale urban environments. Regional standards refer to the design of regional roads, urban structure and land use patterns, and storm water management systems at the subwatershed scale. Integration of the two scales can contribute to overall housing affordability.

What are the potential impacts of alternative development standards on affordable housing production?

Both planning and engineering alternative standards contribute to the potential impacts of the measure on affordability. In terms of planning standards, cost efficiencies arise from the more efficient use of land. In terms of engineering standards, savings accrue from higher efficiencies and lower expenditures over the life of facilities. Most of these types of saving

accrue to developers, but some go to public utilities, municipalities and transit authorities. Part of the combined savings could be potentially passed on to the homebuyer or renter—and in the longer term, to the taxpayer.

A variety of communities across Canada have been built using ADSs, but few of these communities have been built with affordable housing production specifically in mind. This, combined with the fact that the link between the use of ADS and housing affordability is indirect (i.e., developers are not required to create more affordable housing on ADS sites or to pass any savings to home buyers) makes it difficult to quantify the potential impact of ADSs on the supply of affordable housing.

However, there is some evidence that ADSs are in fact improving the supply of affordable housing where they are applied. For instance, the Pineglades project in Gloucester, Ontario, was built to demonstrate this relationship. Completed in 1996, the average development and land costs for a house in Pineglades was approximately $8,500 less than those for Crestmont, a comparable conventional community (see Figure 22 and case study Figure 24). The savings were passed on to the purchasers.

Figure 21: Partial use of ADS. McKenzie Town, Calgary.

Affordability gains can be made by working on several fronts at the same time: street configuration, density and engineering/planning standards. However, many communities that use ADSs do not use the full range of alternative standards available. Most continue to emphasize detached dwellings and consequently do not take full advantage of the land use conservation potential of a more compact form. Examples are McKenzie Town, a suburban community in Calgary, and Chapman Mills, an Ottawa area suburban community. Features incorporated into these projects to make them more marketable (e.g., the use of rear lanes in McKenzie Town; predominance of single-family homes in Chapman Mills) often make them less affordable. This implies that for ADS to specifically improve affordability, a framework of density targets and affordability targets need to be set by municipalities.

Figure 22: Per-unit comparisons of developer costs for an ADS and conventional project in Gloucester, Ontario

	Crestmont (Conventional)	Pineglades (ADS)	Savings	
	Per Unit	Per Unit	Dollar	Per cent
MINTO				
Watermains	$821	$531	$290	35
Sanitary sewers	$865	$477	$388	45
Storm sewers	$1,729	$971	$756	45
Services (laterals)	$800	$679	$121	15
Roads	$1,853	$1,234	$619	35
Utility trenching	$707	$606	$101	15
Landscaping	$2,724	$1,267	$1,457	55
Utilities	$2,069	$1,428	$647	42
Sub-total	$11,565	$7,192	$4,373	38
Land Costs	$12,718	$8, 563	$4,155	33
Total	$24,283	$15,755	$8,528	35

Source: Region of Ottawa-Carleton. 1998. Alternative Development Standards Monitoring Report. Gloucester Pilot Project, Final Report, Ottawa.

What experience do municipalities have in Canada with alternative development standards?

The use of ADS in Canada has been spread primarily through the widening interest in New Urbanist designs. At present, there are over 30 New Urbanist communities completed or under development in Canada. Most of these are in three provinces: Ontario, British Columbia and Alberta, with Ontario being a recognized leader. New Urbanist communities in these provinces embrace ADSs to different extents, ranging from one or two dimensions of ADS to the "full package". Examples of ADS communities, the ADS features used and their housing objectives are illustrated in Figure 23.

These communities vary in size from six hectares to 1,000 hectares from a couple of streets to full-scale communities complete with shopping and other community facilities. Using a variety of alternative development standards, these communities offer a more pedestrian-scaled community, attractive building design and streetscape, enhanced public safety, more public greenspace, easy access to public transit and community facilities, life cycle housing as well as affordable housing.

Outside New Urbanist projects, some elements of an ADS approach are being adopted by developers in Canada for use in more conventional suburban designs. For instance, the building industry is now using wide/shallow lots thereby providing more on-street and on-site parking, while using a smaller road allowance and front yard setbacks. This trend is gradually opening the door to more flexibility concerning standards in general and

improving co-ordination among the utilities, the development industry and the municipal approval authorities.

Most often, the initiative to use ADSs has come from private developers alone or working in co-operation with municipal officials. For the most part, these innovations have been implemented on a site-specific basis and have not been the result of a broader regulatory review and reform. However, some municipalities have begun to review their planning and engineering standards to implement a more urban form of development. This includes the former Region of Ottawa-Carleton, Markham, Edmonton and Surrey. Features such as a modified grid street network, compact development and a choice of transportation modes are becoming increasingly common in municipal planning documents across the country.

Figure 23: Examples of ADS communities, ADS features and housing objectives.

Project and size	ADS features	Housing objectives
The Villages of Angus Glen, Markham, Ontario 130 hectares Approximately 1,500 units	▪ Narrower lot sizes (e.g., 8.2 m for single-detached houses on laneways) ▪ No maximum building coverage restrictions ▪ Front yard setbacks 4.5 and 3.0 m (eliminated for street townhouses) ▪ Garden suites permitted ▪ Reduced street, laneway and pavement width (e.g., 15.5 m local right-of-ways ▪ More efficient use of land	▪ Mix of residential uses including rental units and garden suites ▪ 35% medium and high density ▪ Offers life-cycle housing (ability to purchase entry level home or downsize to an apartment) ▪ single-detached, townhouse and apartment units
Montgomery Village Orangeville, Ontario 101.2 hectares 700 units	▪ Grid bock patters (16m rights-of-way for local streets; 20 m for collector roads) ▪ Open space system protected (28%) ▪ Garages at rear ▪ Narrow frontage (6 m townhouses and 9 m for single detached) ▪ Transit supportive density ▪ Front yard setback 3 m ▪ On street parking, shared parking ▪ Flexible zoning	▪ Flexibility of lot sizes and unit types ▪ 700 single detached, semi-detached, townhouse and apartment units ▪ Accessory apartment units/garden flats
Pineglades, Gloucester Region of Ottawa-Carleton 5.2 hectares 165 units	▪ Reduced road allowance width ▪ Right of way 16 m ▪ Pavement width 8 m ▪ Front yard setback 4 m ▪ Reduced face-to-face separation between units (minimize the dominance of the garage) ▪ Gross density is 32 units/ha	▪ Reduced development costs ▪ All units affordable ▪ Effective and cost efficient servicing ▪ 41 freehold townhomes; 24 semi-detached homes

Figure 23: Examples of ADS communities, ADS features and housing objectives. (cont'd)

McKenzie Town **Calgary, Alberta** 970 hectares 10,000 units over time	▪ Pavement width 9 m ▪ Lane width 6 m ▪ Curb return radii 4.5 m ▪ Roundabout intersection ▪ Mixed use neighbourhoods ▪ Pedestrian friendly	▪ Range of housing types (predominantly single) ▪ Affordable housing options (townhomes, condominiums) ▪ Studio suites above garages
Bois Franc, **Ville St Laurent,** **Quebec** 200 hectares 8,000 units will be built over time; 1000 completed	▪ Setbacks (1.5 m to 5 m) ▪ Underground parking ▪ On street parking for visitors ▪ Homes above shops ▪ Zoning provides for flexibility (density, height, building type) ▪ Gross residential density 43 units/ha	▪ Range of housing types (row housing, duplexes, triplexes, quadraplexes and condominiums) ▪ Mixture of tenure and income
Clover Valley **Station, Surrey, BC** 16 hectares (first phase)	▪ row width 15.2 m ▪ Front yard setback 3.6 m ▪ Side yard setback 1.2 m ▪ Frontage 14 m ▪ Rear lanes ▪ Density 10 units/ha	▪ 215 small lot single detached homes ▪ 335 more small lots approved
Garrison Woods **Calgary, Alberta** 70.8 ha 2000 units	▪ Relocated, rehabilitated, infilled military housing area mixed with new housing ▪ Alternative road standards ▪ Rear lanes	▪ Most of it affordable (Single family housing on small lots and condominiums) ▪ Broad range of price levels

Source: Ontario, Ministry of Municipal Affairs and Housing. 1997.

Figure 24: The use of ADSs: Regional Municipality of Ottawa-Carleton, ON.

In 1991, the former Regional Municipality of Ottawa-Carleton (RMOC) in Ontario undertook the review and revision of development standards in order to help improve housing affordability, stem urban sprawl and reduce infrastructure costs and transportation-related air pollution. The Regional Municipality combined efforts with municipal engineering and planning departments, public utility companies and the Ottawa Home Builders' Association to determine the feasibility and desirability of changing development standards for subdivisions. The RMOC was awarded an ACT demonstration project grant to test alternative development standards for a new subdivision ("Pineglades") to be built by Minto Developments Inc. in the former City of Gloucester.

The plan of subdivision required significant changes to planning and engineering standards, including 13 modifications to the City's Comprehensive Zoning Bylaw 222. Figure 25 shows the alternative development standards that were adopted. The design features a smaller road allowance and setbacks and smaller lots and face-to-face separation distance between units. The 165-unit project was completed in early 1996 and was monitored for four years against the following objectives:

- reduce development costs
- offer affordable and marketable housing
- provide safe, effective and cost efficient servicing
- ensure vehicular and pedestrian safety.

Figure 24: The use of ADSs: Regional Municipality of Ottawa-Carleton, ON. (cont'd)

The monitoring data shows that ADSs reduces development costs. When accounting for development and land costs, Pineglades is approximately $8,500/unit less expensive to develop than the traditional test site. About $4,400/unit is attributed to savings in the emplacement of infrastructure and utilities. The development cost savings were passed on to homebuyers and the units built were offered at affordable prices.

The monitoring data also indicates that alternative development standards do not have a negative impact on the marketability of the units i.e., the number of resales or the resale price. Since the Pineglades project, Minto has used elements of ADS in several other projects. Examples are Chapel Hill, Chapman Mills, Tallwood and South March. These subdivisions feature mainly single detached units on wide/shallow lots (typically 11 m x 26.5 m) and a right-of-way accommodating a 8.5 m pavement width and 4 m boulevards.

Source: Region of Ottawa-Carleton. 1998. Alternative Development Standards Monitoring Report. Gloucester Pilot Project, Final Report, Ottawa.
Contact: Sylvie Grenier, Planning and Development, Ottawa-Carleton Region.
tel. (613) 560-6058

Figure 25: An ADS demonstration project. Pineglades, Ottawa.

Figure 26: Bois Franc, Ville Saint Laurent, QC.

Bois Franc is an example of an innovative redevelopment of a brownfield site in a mature suburban municipality of Montreal. Development on the 200 hectare site was started by Bombardier in 1993 and by 1999, 1000 units had been completed. When completed, Bois Franc will be a New Urbanist community of about 8000 people.

Lots are smaller and streets more narrow than in a conventional suburb. Setbacks from the street are shorter (they vary from 5 metres to only 1.5 metres) and there are no garages at the front of the houses: the parking is all underground. The internal grid pattern of streets is consistent with New Urbanist planning precepts.

Figure 26: Bois Franc, Ville Saint Laurent, QC. (cont'd)

Bois Franc features a wide range of housing types, including row houses, duplexes, triplexes, quadraplexes and condominiums. Initially, the single detached house was the only excluded type, but due to market pressures, Bois Franc will have some single-family homes. The highest residential buildings will be 12 storeys at the centre of the project. Perhaps the most innovative aspect of the Bois Franc project will be the mixture of tenure and income throughout the whole community. Rental housing is spread among duplexes and triplexes rather than creating ghettos of apartment blocks.

Zoning for the project provides flexibility for new buildings to meet specific market conditions. A range of densities, heights and building types is permitted within each zoning category. Specific architectural performance criteria were designed and mandated in the zoning regulation.

Sources: Louis Sauer. 1994. "Creating a Signature Town: the Urban Design of Bois Franc." Plan Canada; and interview with Claude Charette, Ville St. Laurent.
Contact: Claude Charette, Planning and Development, Ville St. Laurent. tel. (514) 855-6000

Figure 27: ADS used on a brownfield site. Bois Franc, Montreal.

What is the potential for further application of alternative development standards in Canada?

As the use of ADSs spreads to more and more municipalities across the country, the cost efficiency and attractiveness of communities built using this approach are being clearly demonstrated. This alone suggests that ADSs have a promising role to play in the provision of affordable housing in Canada.

This potential is enhanced by provincial policies that encourages local authorities to adopt alternative standards and to respond positively to innovative developers. For instance, the Ontario Provincial Policy Statement urges Ontario municipalities to adopt development standards that are cost effective and that will minimize land consumption, reduce servicing costs and reduce the cost of housing. In BC, the province's Growth Management Act

encourages the development and use of ADSs as a key measure to create liveable and affordable communities. Quebec planning legislation allows municipalities the required flexibility to use ADSs or to replace the traditional zoning bylaw with planned unit type developments.

This positive regulatory environment is slowly bringing municipalities and the development industry to use a wider range of development standards. However, there are some constraints: the provincial policies and recommendations are usually not mandatory requirements. And despite the fact that municipalities are increasingly interested in ADS as a concept, at present most real change in this direction occurs by a system of "challenge and response" i.e., the development industry proposes and the municipalities respond. For this reason, change is still incremental and relatively slow.

Municipalities with the following conditions are more likely to adopt an ADS system that will help address affordable housing issues:

- operates in a positive provincial regulatory environment
- encourages its departments and agencies to initiate and respond positively to innovation in planning matters
- has the ability to communicate and work with all the stakeholders to change standards
- has developers willing to provide an adequate number of affordable units
- has means to resolve community conflict concerning the smaller lots and houses in an ADS community
- can monitor its effectiveness and communicate the results to the community and the development community.

On a project level, a CMHC-sponsored study by Habitat Associates lists the conditions that lend themselves to the site-specific use of ADS:

- a site with few neighbours, which minimizes opposition
- an ADS site offers needed school or public facilities, which can conciliate skeptical neighbours
- a municipal official with an interest in the project or in ADS, preferably high ranking
- a site with low carrying costs
- a site with unusual dimensions where conventional standards are hard to apply, where a) an extended review period is a given, and b) ADS may be more reasonable that conventional standards
- an infill project that uses ADS to approximate older, established neighbourhood form
- a segment of the home-buying market wants or needs alternative housing, whether for aesthetic, economic or other reasons
- a project refers to municipal policy such as affordability, environmental protection, etc.

How can alternative development standards be implemented?

The following steps illustrate one process for adopting ADSs:

1. **The initiative for change**
   The initiative for a review of existing development standards can be initiated by a developer (for particular sites) or the municipality (for particular sites or for the municipality as a whole).

2. **Working with stakeholders**
   Form working committees composed of municipal engineering and planning staff, public utility companies and local Home Builders' Associations to determine the feasibility and desirability of changes. The co-ordination among agencies and professionals involved in planning and servicing developments is critical. The use of charrettes early in the process permits timely community and staff input.

3. **Municipal engineering standards and guideline documents**
   Based on the evaluation of existing and alternative standards, and the consultation with stakeholders, the municipality can include the changes in a variety of municipal planning and engineering documents.

4. **Secondary plan**
   The changes will be integrated into planning documents related to particular districts within the municipality (secondary or neighbourhood plans) or to the entire municipality (official or community plans).

5. **Zoning bylaw**
   The new policies and guidelines in the planning documents are made operational through a zoning bylaw or the use of performance-based planning.

6. **Plan of Subdivision**
   Following the passing of the zoning bylaw amendment or of a new bylaw, the subdivision plan can be approved.

A series of key issues must be considered in the implementation of ADS:

Cost efficiency is a key consideration for assessing existing development standards and possible changes to these standards. Standards are set at a level that provides the optimal cost/benefit relationship taking into account:
- life-cycle costs (installation, maintenance, operating and replacement costs)
- level of service (ADSs do not necessarily imply a reduction in standards of construction or in levels of service)
- level of risk and impact of facility failure.

Local variations in the applicability of development standards arise from differences in climate (in particular snowfall), soil geology, land prices, municipal and utility practices and the availability of water and sewage supply and treatment and of public transit.

Communications and marketing of the idea is an integral part of the process. Experience in both Ottawa and Toronto demonstrates that buyers don't buy alternative housing because it is different, but because it is attractive and affordable. Key marketing principles are:
- do not market as a deviation from conventional standards in promotion
- avoid with diligence anything which may stigmatize the community as "cheap", "sub-sized" or as a "project"
- emphasize that this development is a new/different kind of community, especially regarding friendliness, efficiency, the environment and safety.

What problems may be encountered in implementing alternative development standards?

Resistance to the implementation of ADSs on the part of the approval agencies often stems from a concern about liability e.g., fire safety (not being able to reach a house in time) and snow removal (consequences of icy roads). The conventional way of doing things is entrenched in the planning and engineering system. Most of these are perceived issues. A municipal environment conducive to innovation can provide the conditions for problem solving and acceptable solutions.

A lack of administrative resources may also pose a barrier to adopting ADSs in some municipalities. Municipalities are understaffed, often operate in a crisis mode and they are reactive not forward-looking. Deviating from the standard course requires more work, administration and responsibility. In order to address this, municipalities need to create a more positive environment that encourages innovation. At the same time, municipalities that would find the wholesale adoption of ADS problematic from a resource point of view could adopt new standards on an incremental basis.

There are also potential operational obstacles. New standards are often opposed by municipal officials on the basis that proper maintenance and servicing cannot be undertaken because existing equipment does not suit different types of roads, sizes of parks, etc. Appropriate equipment does exist and its purchase can be phased in conjunction with the adoption of alternative development standards.

Bureaucratic fragmentation may also pose a problem. Many urban regions are still governed by a large number of local municipalities, all of which have different development standards. This can pose difficulties for the development community and make connections among local, community and regional infrastructure awkward. More consultation and co-ordination of innovative practices between levels of government and service agencies needs to occur.

Finally, residents adjacent to ADS projects may resist alternative standards on the grounds that smaller lots and houses may appear shabby. This concern can be pre-empted or put to rest with a targeted communication campaign showing built and established communities which compensated size with quality construction, community landscaping and design.

What are the advantages and disadvantages of alternative development standards?

<u>Advantages</u>

- most provinces have already created a positive regulatory environment for the development and implementation of ADSs
- ADSs offer alternatives to the conventional low density suburb, an alternative which is more sustainable and affordable
- the concept of using ADSs is increasingly accepted both within the community and within professional circles
- the use of any standard that reduces the consumption of land for residential development contributes to the long term sustainability and affordability of the community at large (reduced life-cycle costs).

Disadvantages

- local municipalities in general lack the expertise and time to initiate change
- there is no guarantee that cost-savings from ADSs will be passed on to the consumer
- ADSs will not necessarily contribute to affordability if they not used in a supportive planning framework.

Resources

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6. Performance-based Planning and Other Flexible Planning Approaches

What is performance-based planning and other flexible approaches?

Performance-based planning (PBP) is an alternative to conventional zoning and the traditional processes of zoning administration. To describe PBP, it is useful to consider it in relation to the familiar zoning procedures.

Since the early part of this century, zoning has been one of the main tools in the Canadian municipal planner's tool kit. Zoning deals with the use that may be made of a parcel of a land and restricts the size, type and placement of buildings on the parcel. It has allowed governments to separate incompatible land uses and limit the impacts of one type of land use on others and it helps secure predictable development outcomes for all concerned.

These capabilities of zoning often suit both developers and local communities, however, in exchange for such benefits, zoning entails tradeoffs:

- Traditional zoning may be restrictive in situations where innovation in building form, use or design is required. This can happen in urban areas where market demands, social attitudes or technology are changing (e.g., where older areas are in transition between different types of land uses or where experimental subdivision design is desired). In these situations, developers often have to undergo time consuming negotiations with municipal authorities in order to secure exceptions, variances or amendments to existing zoning bylaws, all of which have uncertain outcomes.
- Traditional zoning systems may reduce the supply of affordable housing. Zoning amendments add to the cost of development and may discourage novel higher density and mixed-use projects which could produce affordable housing. And if conventional zoning is used to enforce social homogeneity in suburban areas, it could force lower income households into enclaves far from employment sources, reducing employment opportunities and possibly limiting the availability of labour for local employers. Moreover, segregated land use is often blamed for making residents dependent on car travel to move from one specialized area to another, an issue of increasing importance as global climate change becomes an ever more convincing threat.

In the United States during the 1970s, the rise of the environmental movement, the increasing concern over the social equity issues in urban development and the quality of the urban built form prompted an evolution of several more flexible approaches to zoning, including performance-based planning. The most "radical" of these is PBP, based on the notion that the community should focus its efforts on controlling the end results of development rather than the means and that the latter should be left up to developers as long as they stay within the range of desired results.

Thus, PBP would regulate land use not based on proposed use, location, and dimensions of the development, but on the basis of the actual impacts of a land use, usually measured against predetermined standards. It would allow any use to locate adjacent to any other, provided it satisfies the performance standards. Proposed uses whose impacts (such as noise levels produced, dust, vibration, shadowing, impacts on ground water flows or wetland

function) would exceed specified standards would be prohibited. While there would not be limits to potential land uses, there would continue to be strict controls on site planning, building design, facility operation and other factors. PBP would allow for more flexible regulation in terms of land use and building envelope but impose stricter regulation in terms of how developments are designed and function in their immediate and regional context.

A PBP approach could provide flexibility to developers and encourage innovation in built form and could help to link community vision and planning goals to site-specific decisions. Communities concerned about environmental impacts, for instance, could use a PBP system to set community-wide limits on such impacts and to translate those into project decisions. Social goals, such as the need to achieve a range of housing types and densities could also be translated into performance criteria.

What are the potential impacts of performance-based planning and other flexible approaches on affordable housing production?

PBP does not require developers to directly produce or pay for affordable housing. However, a properly designed PBP system can help create conditions that may encourage the private sector to produce more affordable housing. This is so for several reasons.

- The flexibility of PBP could enhance housing choice, which may improve housing affordability. While conventional zoning limits the geographical areas where housing can be built and restricts densities and housing types within those areas, PBP allows developers a freer hand to create a broader range of housing types in more diverse settings. For instance, housing can be provided in commercial, retail, or light industrial areas, wherever there is demand, as long as the performance criteria are met.

- PBP could help address the neighbourhood resistance that often scuttles intensification and higher density housing projects. Because PBP is linked to community objectives and provides a rational mechanism to assess neighbourhood impacts, it can serve as a way to structure dialogue among stakeholders more productively than the legalistic conflicts over what appear to be arbitrary rules that bedevil the conventional zoning and rezoning process. A well designed PBP system will encourage an informed public discussion about neighbouring impacts and how they could be mitigated by changes to the proposal. Thus, a PBP approach is more likely to resolve conflicts between developers and residents and can make higher density developments more acceptable.

- PBP emphasizes the design of new projects, which can make affordable housing more appealing to both housing consumers and neighbouring residents. The focus of conventional zoning on land use and building envelope can deprive planners of the tools they need to ensure that affordable housing will strengthen to community character rather than undermine it. A PBP approach could build consensus among stakeholders as to design objectives and the guidelines a developer should follow to implement them.

- Finally, because a PBP system focuses on the impacts of a given development on local and even regional scale, it provides a vehicle for the consideration and negotiation of developer exactions, which may include density bonusing or linkage fees.

The PBP system adopted in Fort Collins, Colorado took advantage of all these strengths and had a considerable impact on the supply of affordable housing in that municipality. The system was in place while Fort Collins' population grew from 45,000 to 110,000 over a period of about 16 years. It was credited by the US Department of Housing and Urban Development with keeping the area's housing affordable, the quality of the built environment high and the economy healthy (see case study in Figure 28).

Figure 28: Performance-based planning. Fort Collins, CO.

Fort Collins is 110 km north of Denver and is one of the most rapidly growing areas in the US. It adopted PBP 20 years ago as a result of a local debate over the desirability of further growth. Developers and affordable housing advocates wanted to ease restrictions on zoning in order to promote development while local environmentalists were strongly in favour of growth limitations and strict environmental controls. In 1981—"after two years of consultation and revision"—the city eliminated its zoning system and adopted a form of PBP, the Land Development Guidance System (LDGS).

The system presumed that any land use could be made compatible with existing uses through creative, carefully negotiation and up-front site and project design. The LDGS set out the broad planning principles on the basis of which specific developments are assessed: control fringe growth, encourage compact development patterns including infill, mixed use and higher densities. Nine land use categories were created, each with its own performance standards. Criteria were either mandatory (like environmental protection, neighbourhood character and site design) or variable (like the specific use and energy conservation). Each project had to achieve all the mandatory and a minimum percentage of the variable criteria before approval was granted. Points were earned for low- and moderate-income housing. Variable criteria could be relaxed if other standards were exceeded (e.g., if employees could walk to work, fewer parking spaces were required). The system was integrated with density bonusing: the higher the points scored, the higher the density awarded.

On one site, 102 detached homes had been approved on 17.4 hectares of land prior to the introduction of the PBP system. After negotiating with the city and applying the new PBP system, the project's density was more than doubled to 235 units and included low-cost housing that ranged from 90 to 150 square metres. In addition to facilitating more compact and affordable housing in suburban locations, the PBP system in Fort Collins is credited with promoting infill development in the already established areas. Less than two per cent of the planning board's decisions have been appealed to the city council and approval times have been reduced from months to weeks.

Source: US Department of Housing and Urban Development. 1992. Removing Regulatory Barriers to Affordable Housing: How State and Localities are Moving Ahead. Washington: HUD.
Contact: Bob Blanchard, City Planning, City of Fort Collins. tel. (970) 221-6765

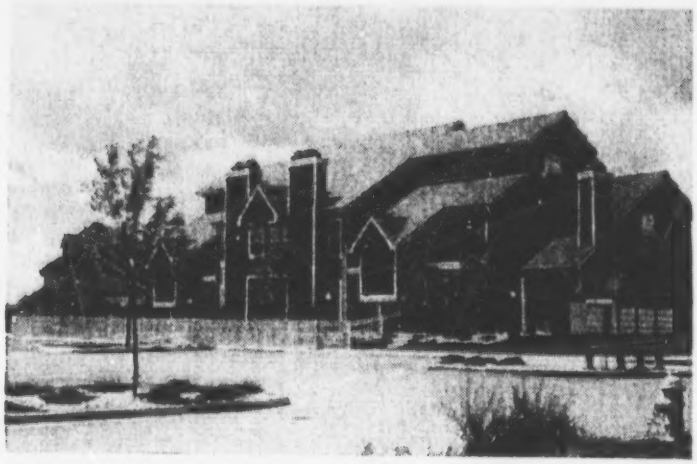

Figure 29: Multi-family project developed under the Land Development Guidance System. Fort Collins, CO.

What experience do municipalities in Canada and the US have with performance-based planning and other flexible approaches?

PBP is most advanced in its application in Australia where senior governments have been promoting the concept through model codes since the early 1990s. In New Zealand, the national Ministry of the Environment also favours the adoption of a PBP system at the local level and a number of municipalities have done so.

In the US, interest in PBP has been driven by municipal governments. A number of jurisdictions have adopted comprehensive PBP systems, starting in 1973 with Bucks County, Pennsylvania, which adopted the performance system in order to protect the natural environment while enhancing flexibility in the design of residential development. In particular, the county government was responding to a series of zoning appeals that local landowners had brought against the county for largely exclusionary zoning ordinances prohibiting higher density residential development.

The approach developed by Bucks County was eventually adopted by more than half the 54 townships in the county and became a model which other municipalities such as Largo, FA have followed. In 1981, Fort Collins, CO adopted a PBP system and in 1984, so did Hardin County, KY. Each of these systems won numerous awards from various agencies, including the American Planning Association's award for outstanding planning which was given to the Hardin County system. Despite the acclaim, both of these systems have been discontinued: Fort Collins because of political challenges and a growing desire among residents for a planning system with more predictable outcomes and in Buck County, because of legal challenges over the relative absence of zoning categories. Both jurisdictions have moved towards more traditional planning systems, but continue to use elements of the former PBP systems.

In Canada, there is no comprehensive PBP currently in place i.e., no municipality has eliminated traditional zoning in favour of a comprehensive planning system based on functional districts and performance standards. The Town of Morinville, Alberta investigated the potential use of such a comprehensive PBP system, but decided that it was not appropriate to its circumstances (see case study in Figure 30).

Figure 30: The Performance-based planning study: Morinville, AB.

Morinville is a small town (population 6,000) in the commutershed 25 km north of Edmonton. In 1996, the town investigated the feasibility of adopting a PBP system after a landowner proposed to develop a subdivision with an innovative plan that could not be accommodated by existing zoning bylaws. A project team was established and a consulting firm was hired to look for potential models that could be applied to the Morinville situation and a survey of stakeholders was undertaken. The consultants concluded that the town should not switch to a PBP system because it would be costly for the city (impact studies, increased administration) and because the local environment was not being threatened by growth. The project team accepted this conclusion, but noted that the PBP system has some desirable features that should be incorporated in the town's zoning and approval system.

Source: Steppingstones Partnership, Inc. 1996. The Performance-based Planning Model. ACT Streamline Approval Process Project. Town of Morinville. Ottawa: ACT and CMHC.
Contact: Town of Morinville. tel. (780) 939-4361

A number of Canadian municipalities have adopted some of the key principles of PBP for application in particular contexts. These practices are gaining momentum under diverse rubrics across the country. For instance, elements of the PBP approach can be found in the flexible zoning practices associated with some New Urbanist developments in Canada, such as McKenzie Towne in Calgary, Bois Franc near Montreal or Cornell in Markham (see case study in Figure 31). Because New Urbanist projects usually entail mixed housing types, smaller setbacks, alternative development standards and attention to design issues, conventional zoning is often too cumbersome to use. More flexible instruments are called for.

Figure 31: Flexible zoning: Markham, ON.

Markham, Ontario has adopted an innovative zoning bylaw that will guide development in Cornell, a large expansion area based on New Urbanist principles. Markham's Urban Expansion bylaw introduced four mixed use zones and two relatively permissive residential zones (compared to the dozens of zones sometimes found in conventional zoning bylaws). The mixed use zones permit retail, office and residential uses on one lot and within one building. Convenience stores are permitted in residential areas and home occupations are permitted throughout. The residential zoning districts are flexible in allowing for considerable variation in lot sizes, housing types and densities. Generally increased densities are permitted in all zones. Thus, some of the use restrictions typical of conventional bylaws have been relaxed. Zoning is granted at the block level and maximum densities are applied at that scale, a mechanism that gives developer greater flexibility in tailoring lot sizes and housing types to changing market conditions. Development controls are more stringent than would ordinarily be the case.

Source: Town of Markham. 1996. Design Implementation Guidelines.
Contact: Scott Heathlip, Planning Department, Town of Markham. tel. (905) 475-4861

Figure 32: Flexibly zoned suburban development. Cornell, Markham.

Some PBP principles have also been adapted for use in older downtown contexts where conventional zoning is unable to provide a framework for managing the orderly transition from obsolete land uses. In such districts, conventional zoning systems can stand in the way of change, even when council and residents agree that change is desirable and a willing developer waits in the wings. The City of Toronto explored and rejected the idea of using PBP to guide change in two obsolete industrial and warehouse areas, but ended up using some of its components in a hybrid zoning system (see case study in Figure 33).

Figure 33: Hybrid zoning in "Two Kings". Toronto, ON.

The "Two Kings" are decaying manufacturing and warehousing districts in central Toronto, (King-Spadina and King-Parliament). Conventional zoning saw them as traditional heavy industrial areas, prohibiting most types of modern development activity except for a few industrial or commercial uses.

In 1995, the Mayor dubbed these "reinvestment areas" and initiated a consultation that led to a recommendation to eliminate the traditional land use segregation. And indeed, the new zoning in these districts permits almost any residential, live/work, commercial and light industrial use. Development control was to be exercised by subjecting development proposals to a series of performance requirements designed to meet community objectives. Objectives were to include retaining the quality of the built form, protecting and strengthening the system of public spaces, retaining and re-using existing buildings and creating jobs. However, the city was daunted by the apparent difficulties of monitoring and enforcing standards for a wide variety of environmental and aesthetic concerns. When no existing system of performance standards applicable to a downtown urban area could be found, the proposal for implementing a pure system of performance standards was abandoned. Original building standards were modified to handle problems of mixed use buildings, like service delivery and noise attenuation through shared interior walls.

However, the enhanced flexibility in the approvals process which followed the adoption of the new planning approach has been credited for an influx of development applications in the area, including eight applications for conversion of vacant industrial buildings for residential and live/work use.

Source: Paul Bedford. 1997. "When they were Kings." Plan Canada.
Contact: Tom Ostler, Planning Department, City of Toronto. tel. (416) 397-4629

Figure 34: Flexibly zoned inner-city area. King and Parliament streets, Toronto.

In British Columbia, an evolutionary planning approach called Comprehensive Development zoning (CD) makes use of several of the principles of PBP, including increased flexibility in allocating density and achieving a mix of land uses on particular sites. While a number of BC municipalities have used these principles for many years, in 1993 the province amended the Municipal Act (Bill 57) to enable and more clearly support the CD approach. CD zoning allows the municipality and developer to customize the zoning applicable to a site within the context of the official Community Plan and also allows municipalities to increase densities and relax building envelopes in return for affordable housing or site amenities. The community is involved at the hearings stage before a CD bylaw can be adopted.

For large sites, the original CD zoning bylaw may stick to general principles while subsequent amendments can provide detailed plans. This flexibility allows the developer to accommodate changing market conditions and to refine the plan as site analysis proceeds. The final plan often may allow the developer to choose among several options in the final placement and design of the site. The amendment process also ensures that public understanding of the development proceeds as the plan unfolds and allows for constructive changes rather than an all-or-nothing approach.

Currently, thirty-one municipalities are using comprehensive development zoning (see case study on Burnaby, BC in Figure 35) and a further 16 are considering it. Much of the new affordable housing being constructed in BC Lower Mainland is occurring on CD sites.

Figure 35: Comprehensive development zone: Burnaby, BC.

Comprehensive Development zoning (CD) is a form of flexible zoning that tailors a development to be responsive to a given site and its setting. Each CD zoned site is, in essence, a unique zoning district. Burnaby continues to use conventional zoning in most of the municipality, but on certain sites—especially those that are currently zoned for low density development but where higher density, mixed use projects would be more appropriate—it uses CD zoning. The uses permitted within a CD zone may include any of the general land use classifications of the Burnaby Zoning Bylaw. It allows for exceptions to the applicable building regulations and strives for an improved relationship between the various parts of the proposed development.

Source: Kenji Ito. 1997. "CD Zoning: An Approach to Site-Specific Zoning." Plan Canada.
Contact: Kenji Ito, Planning and Building Department, City of Burnaby. tel. (604) 294-7400

What is the potential for further application of performance-based planning and other flexible approaches in Canada?

The main driver for municipal interest in PBP is complex development environments. As consensus builds about the need to manage growth across North America, PBP will likely be seen as an important tool for municipalities because of its ability to respond flexibly to help stem sprawl, facilitate urban infill and redevelopment and promote higher density, mixed use housing.

The greatest potential for wider use of this measure is in urban municipalities that have identified older areas in transition that would benefit from more flexible zoning practices or those considering innovative forms of suburban development, such as New Urbanism. Specifically, the PBP approach will be useful to:

- minimize environmental impacts in developing brownfields sites
- handle competing interests and capabilities in urban redevelopment situations
- manage strong growth pressures in a district
- address planning processes stalled by rigidities of conventional zoning.

However, because of the costs, lack of Canadian precedents and the administrative uncertainties involved in moving to a pure PBP system, it is unlikely that comprehensive PBP systems will be adopted by Canadian municipalities in the foreseeable future. A more likely outcome in Canada is wider applications of some of the principles of PBP to increase the flexibility and effectiveness of site-specific zoning in particular districts.

How can performance based planning and other flexible approaches be implemented?

The case studies above have illustrated the wide range of settings that may make use of PBP principles and some approaches to implementation. Because of the broad range of settings and approaches, there are no standardized guidelines for municipalities interested in implementing a PBP system or a more flexible zoning system. However, a number of basic principles can be suggested, including:

- establish a community vision with clear goals, including urban form, community character, environmental and social outcomes

- develop clear criteria (if not quantified performance standards) for approval of development projects, based on those goals
- involve residents in the planning of new developments at an early stage
- create mechanisms for negotiation among stakeholders rather than confrontation
- simplify the planning and approval process to address concerns with the conventional zoning model
- reduce the number of zoning districts and broaden the range of permitted uses
- approve projects at the block or higher level
- increase use of screening, buffering and other landscaping tools to mitigate impacts of different land uses.

An immediately accessible vehicle for implementing more flexible zoning controls is a development agreement. Such agreements usually replace the zoning and site plan control process and allow local officials to deal with a complete package of issues related to a development application on a project-by-project basis. It is a process that is gaining popularity in all regions of the country. Three key issues associated with development agreements are:

- the degree of discretion to give approval authorities. The system could restrict the role of local approval officials by having a development permit system that guarantees the right of developers to proceed if they meet conditions clearly laid out in the bylaw governing the project and the official plan. For PBP systems, standards are often numerically assessed and a quantitative threshold is set above which projects will have the right to proceed. Alternatively, officials may be given latitude to negotiate with developers to find the best solutions that improve overall design, minimize negative impacts and perhaps incorporate exactions tailored to the proposed development and the neighbourhood.
- the range of issues to control using standards or criteria. The system adopted could be limited to more traditional issues such as building envelope, density, parking or parkland dedication, or it could be extended to include the broader range of issues addressed a pure PBP approach, such as environmental and social impacts, urban design, etc.
- linkage with other measures. The development agreement approach lends itself to linking development approval with other measures to encourage affordable housing, such as density bonusing or linkage fees.

What problems may be encountered in implementing performance-based planning and other flexible approaches?

There are also potential pitfalls in the planning approaches described in this chapter. Many developers feel these approaches give municipal officials too much discretion and that the flexibility comes with too many strings attached. Besides ensuring that the amount of discretion afforded local officials is appropriate, municipalities interested in implementing more flexible planning systems should:

- make it simple. There may be a temptation for municipal officials to include every conceivable impact and condition for approval in their development control system. Stick to a few topics and goals.
- make it straightforward. Development conditions can become arbitrary and difficult to justify or defend. Use easily defined and measurable criteria as much as possible.

Other than developers, the most active players in the transition from conventional to performance-based planning are neighbourhood and environmental groups. Both should

be involved early as possible in the design of a new planning approach and in its implementation in the approval of particular projects.

Nearby residents may be wary of the uncertainty in land use inherent in alternative planning approaches and fear that this may allow land uses that will detract from the quality of their neighbourhoods. They would be more confident if there was a process that emphasized community visioning, an integrated approach to planning and effective conflict resolution. Common goals such housing affordability and environmental protection should be stressed.

The costs of switching to a PBP approach could be substantial, given the burden it places on the municipality to undertake detailed assessment of impacts and to set up well defined and defensible standards. The lack of practical experience with PBP in Canada would tend to make the system even more expensive for the first adopter. The looser systems also described in this chapter have substantially lower needs for data gathering and system set-up. Whether this cost will turn out to be justified in terms of the social, economic and environmental benefits of a more flexible approach can only be determined on a case by case basis.

What are the advantages and disadvantages of performance based planning and other flexible approaches?

Advantages

- offers greater flexibility than conventional zoning
- creates conditions for more affordable housing through increased density and mixed use and by allowing innovative projects to go ahead in transition areas
- can express a community's vision of itself and a way to link that vision to development control decisions on particular sites
- may provide a vehicle for the consideration and negotiation of developer exactions, which could include provisions for affordable housing
- could improve quality of urban design.

Disadvantages

- has less predictable outcomes for developers and more discretion for municipal officials
- unclear role and integration of public consultation at the stage(s) when plans are presented to the community
- may lend itself to "behind closed doors" negotiations with developers, shutting out public consultation
- could add substantially to administrative costs e.g., monitoring to ensure that mixed land uses are not causing unmanageable nuisances
- could be especially prejudicial for initial developers in a given area if subsequent developments harm original projects (e.g., blocking views)
- depending on type of flexible planning, may require legislative changes in some provinces
- no guarantee that it will result in more affordable housing.

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7. Development Charges on an Area Basis

What are area-based development charges?

Development charges are fees paid by developers to municipalities in order to help finance the off-site capital costs associated with community growth. The charges are often calculated on a per-unit basis in a way that is insensitive to the actual size of the lots or units being developed. This way of calculating charges may be encouraging developers and builders to favour larger, more expensive lots and units. Thus, municipalities could encourage a greater supply of affordable housing by changing the way the charges are calculated i.e., by making the charge proportional to the land or building area of the units being developed.

Municipal development charge bylaws are created under provincial legislation, which define the types of services for which municipalities can charge through the development charges system. In most provinces, development charges can only be used to raise money for "hard services" – such as water and sewerage mains, drainage, major roads and bridges, parks and so on. In Ontario, however, municipalities can use development charges to help pay for police stations, libraries and buses, among other "soft" services. With the exception of the City of Vancouver (see case study in Chapter 8 of this report), municipalities in Canada are not permitted to use revenue from development charges to help finance affordable housing production. Thus, the main link between development charges and affordability is the impact the charges have on the selling price of homes in jurisdictions where they are applied.

It is widely believed that development charges add to the cost of housing because developers usually pass some or all of the fee onto homebuyers, depending on market conditions. In some housing markets, development charges have been the fastest growing component of housing costs. The fees paid can be very substantial and are therefore a significant cost component for housing developers and builders. Figure 36 shows development charges in selected Canadian municipalities and indicates the portion that the charge makes up of the price of a typical detached house.

Figure 36: Development charges for single detached dwellings in selected Canadian municipalities.

Municipality	Development Charge*	Price of a Typical House	Development Charge as Per cent of Price
Laval, QC	$13,600	$108,000	12.6
Saint-Hubert, QC	$11,250	$116,400	9.7
Kanata, ON	$15,962	$169,600	9.4
Mississauga,ON	$16,250	$217,900	7.5
London, ON	$4,840	$110,000	4.4
Regina, SK	$4,970	$119,000	4.2
Calgary, AB	$2,200	$121,000	1.8
Surrey, BC	$14,265	$269,900	5.3
Kelowna, BC	$11,050	$154,600	7.1

* Amount includes development charge and other minor infrastructure-related fees.
Source: Lampert, Greg and Marc Denhez. 1997. Levies, Fees, Charges, Taxes and Transaction Costs on New Housing. Ottawa: CMHC.

In many municipalities, development charges are calculated on a per-unit basis that applies a flat rate for a given housing type. This means that two housing units of a certain type (e.g., two detached homes) will pay the same charge, even if they are of very different sizes and sell at very different prices. Thus, development charges in a municipality using this approach will constitute a higher proportion of the price of a smaller unit than a larger unit i.e., they disproportionately affect the cost of smaller, more affordable units.

It is true that between housing types, the charge usually does vary, with single detached housing paying more than townhouses, which in turn pay more than apartments. However, the increase in the fee for larger housing types usually is less than the increase in the selling price of the house. Thus, the fee makes up a larger proportion of the selling price—and has a larger impact—on the affordability of a smaller, lower cost house.

When charges are applied on a per-unit basis, the total fee paid by the developer for a given project increases in proportion to the number of units. Thus, developers may try to reduce their "up front costs" (because the fees are normally paid during planning and approvals stage) by building a smaller number of larger units on land that could in principle accommodate a larger number of smaller units.

Because the per-unit approach averages out the charges applied to different sized units and lots, it amounts to a subsidy granted by developers of smaller units and lots to those of larger units and lots. Not only is this inequitable, it is also inefficient from an economic point of view because it encourages developers to oversupply larger units on larger lots.

One obvious way in which development charges could be used to promote more affordable housing would be for municipalities to waive them for low- or moderate-cost housing. Although such waivers may be granted in some isolated cases, few municipalities in either the US or Canada have formal policies to do so. In fact, many developers and municipal officials are opposed to such waivers because they would either create uncertainty and shortfalls on the revenue side of the development charge system or they would require that affordable units be subsidized by other housing types. The other option would be for cities to fund affordable housing waivers from general revenues, but even this has not been successful where tried (see case study on Fort Collins in Figure 37).

Figure 37: Impact fee rebate program: Fort Collins, CO.

Fort Collins is a rapidly growing city near Denver, CO. It uses impact fees (the US term for development charges) to help fund capital infrastructure related to new growth. The city is known for its innovative impact fee rebate program, which rebated a portion of the impact fee paid on affordable housing developments. The rebate was calculated on a graduated scale: the lower the household income targeted by the housing, the greater the rebate. Because it was seen as unfair to fund the rebate out of the impact fee system, the rebate was funded from general revenue sources. In order to keep the cost of the program within reason, the maximum rebate was limited to 50 per cent of the total fee.

After two years of operation, the rebate program was dismantled on the advice of the municipally-appointed Affordable Housing Board. The program had not been effective in encouraging the development of the lower-income units and the board felt that the

Figure 37: Impact fee rebate program: Fort Collins, CO. (cont'd)

moderate-income projects that were rebated under the program would have been produced anyway. The board decided that the money would be better spent by putting it into a housing trust fund (see chapter on linkage programs).

Sources: Interview with Ken Waido, City of Fort Collins and Web site for the City of Fort Collins ci.fort-collins.co.us
Contact: Ken Waido, Advanced Planning, City of Fort Collins. tel. (970) 221-6753

Another way of using development charges to encourage affordable housing would be to make the charges proportional to the size of the housing unit or lot being developed e.g., on the basis of the square metre of floor area, the lot area, or on the front metre of the lot. Such an approach could "short circuit" the dynamic described above and encourage developers to build more units of smaller size. This is the approach explored in this chapter.

What are the potential impacts of area-based development charges on affordable housing production?

The notion of applying development charges on an area basis has been put forward by a number of writers concerned with the affordability of housing. Although the approach should work in principle, it is difficult to estimate the potential impacts of such a switch because of the large number of factors that can influence the rate of affordable housing production in a municipality. In the absence of such hard data, we can speculate about potential impacts by creating realistic scenarios. This is just what an ACT-sponsored study did and on this basis it concluded that an area-based approach to calculating development charges would have a substantial positive impact on housing affordability (see case study on Maple Ridge in Figure 38).

Figure 38: Switching from a per-unit to area-based charges: Maple Ridge, BC.

A study by Urban Development Institute (Pacific Region) was conducted in 1997 for ACT to explore the potential gains in affordability from switching from a per-unit to an area-based approach to development charges. In order to illustrate the impact of an area-based approach, the study authors created a plausible scenario using a suburban municipality in the Vancouver area, Maple Ridge. At present the municipality has only two categories of residential development charges: housing above 125 units per hectare (i.e., apartments) pay one charge and housing below that (i.e., townhouses, semi-detached and singles) pay another charge. For an apartment building, the developer is levied a fee of $5,409 on each unit, regardless of size. Consequently, he or she is encouraged to minimize the unit number and maximize the unit size. In the scenario created for the report, the developer builds 37 two-bedroom units and sells them at $136,118. The annual income required to afford this unit is $43,977, which effectively excludes many residents of Maple Ridge.

When the switch is made to a charge of $48.50 per square metre, it is assumed that the developer will now have an incentive to build a mix of unit sizes. The development charge payable on a bachelor unit will drop to $2,477, while the charge on a one-bedroom unit will be $2,927. The charge on a two-bedroom unit is still $5,409. The total cost of the bachelor unit will be $67,108 and the cost of the one-bedroom unit will be $77,543. The incomes necessary to afford these smaller units with a per square metre charge are dramatically

Figure 38: Switching from a per-unit to area-based charges: Maple Ridge, BC. (cont'd)

lower than the two-bedroom units: only $24,080 for the bachelor and $27,402 for the one-bedroom unit.

The District of Maple Ridge has endorsed the study and intends to adopt an area-based approach in its next development cost charge bylaw revision.

Source: Urban Development Institute – Pacific Region. 1997. Levying Development Cost Charges on a Square-Foot Basis. Ottawa: CMHC - ACT Program.
Contact: David Stevenson, District of Maple Ridge. tel. (604) 467-7342

The significant impact on housing affordability evident in this scenario assumes that a square metre approach will influence developer decisions about the mix of unit sizes in a given project, causing them to propose a mix of unit sizes instead of a standard large unit. Recent research undertaken for CMHC by Ray Tomalty et al. indicates that development charges have an impact on unit mix decisions, but only where charge levels are relatively high. Where charges are lower, the impact of development charges on developer decision-making concerning unit mix is obscured by market factors. Thus, impacts of this measure will be greatest in municipalities with the highest charge levels i.e., BC and Ontario.

Figure 39: Impact fee policies: Fort Collins, CO.

The impact fee system used in Fort Collins has evolved since fees were introduced in the 1980s. First they were based on a flat rate charge per residential unit, regardless of unit type (so all housing units, regardless of size or type paid one fee). In a second phase, the fees were varied by unit type, with five different categories of dwelling. The city is now in a transition to a third phase, whereby charges will be based on unit size, regardless of housing type. At the moment, about 25 per cent of the total fee has been structured this way, including levies for neighbourhood and regional parks, fire and police stations, libraries and government buildings. Storm drainage, often another 25 per cent of the total fee, is based on a lot area assessment and varies from one area of the city to another. The total charge on detached dwellings is about US$12,000-15,000 depending on size and about $9,000-$12,000 on multi-family units, again depending on size.

The main motivation for switching to a area-based approach came from the building and development community, which questioned the equity of paying the same charge on housing units of different sizes. The desire to keep smaller units affordable was also a motivating factor, although this was secondary to the potential complications that could arise if developers challenged the per unit system in court. (see chapter on linkage programs).

Sources: Interview with Ken Waido, City of Fort Collins and City of Fort Collins Web site ci.fort-collins.co.us
Contact: Ken Waido, Advanced Planning, City of Fort Collins. tel. (970) 221-6753

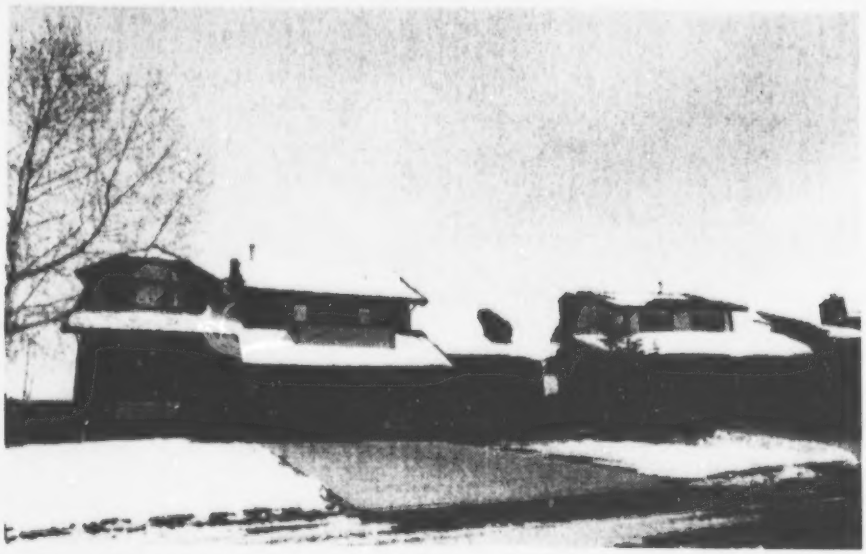

Figure 40: Development charges are based on lot size in Calgary.

What experience do municipalities have with area-based development charges?

Municipalities in Alberta, Saskatchewan and Quebec typically use area-based approaches (e.g., in Calgary, the development charge system is based on lot frontage, in Saskatoon and Laval, it is on the basis of frontage). However, in BC and Ontario—i.e., the provinces with the highest charges—only the City of Vancouver has historically used an area-based approach (based on buildable square metres). Otherwise, most municipalities calculate development charges on a per-unit basis, irrespective of lot area or unit size. With rising concerns about affordability and a desire not to burden developers of smaller units unfairly, a few jurisdictions in both Canada and the US have moved towards area-based methods. For example, in Colorado, Fort Collins is gradually adopting an area-based approach (see case study in Figure 39) and in BC, the City of North Vancouver switched from a per-unit to an area-based approach in 1997 (see case study in Figure 41).

Figure 41: Development cost charges on a square metre basis: City of North Vancouver, BC.

Development cost charges were introduced in the City of North Vancouver in 1993 as a flat fee imposed uniformly across the municipality on all new residential units, regardless of unit size or lot area. In 1997, a new bylaw was adopted that shifted from a per-unit charge to an area-based. The new bylaw imposed a charge totalling $49.29/square metre gross floor area for all residential development. Revenues from the charge are used to fund park land acquisition arterial upgrades, expected to cost about $24 million over 10 years. For a large two-bedroom apartment of 150 sq. metres, the fee would amount to about $5,000, whereas for a 40 sq. metre bachelor unit, it would be about $2,000.

In developing its new bylaw, the city gave consideration to both unit size charges and area-based charges. The decision was made to go with the former as the industry favoured this approach and it was felt to be the most equitable way to distribute infrastructure costs among new housing developments.

Figure 41: Development cost charges on a square metre basis: City of North Vancouver, BC. (cont'd)

Source: Ray Tomalty et al. 2000. The Effects of Development Charges on Urban Form. Ottawa: CMHC Research Report.
Contact: Francis Caouette, Planning Department, City of North Vancouver.
tel. (604) 900-4221

Figure 42: The City of North Vancouver has adopted an area-based approach to development charges.

What is the potential for further application of area-based development charges in Canada?

Any municipality in a province with legislation empowering municipalities to adopt development charges bylaws could consider using this measure to encourage the production of more affordable housing. As noted above, many municipalities in Alberta, Saskatchewan and Quebec already use an area-based approach. In principle, this approach could be used by any municipality in BC and in Ontario there is nothing in the Development Charges Act or the associated regulations that would prevent or complicate an area-based approach. In other provinces, the instrument in not available, as developers pay directly for most off-site infrastructure and no (or nominal) development charges are applied.

Development charges are most widely used by municipalities that are growing quickly and that do not want to burden existing residents with property tax increases to pay for new or expanded infrastructure. Thus, this measure has less potential in older cities that are experiencing little residential growth and where charges are discounted or waived so as not to discourage new development (e.g., the City of Ottawa waived its charges in the downtown area). However, in central cities with strong real estate markets and affordability problems (like Vancouver and North Vancouver) development charges by the square metre

are an attractive option for encouraging smaller size units. This measure also has considerable potential in the rapidly growing suburban areas around major cities. In most rural areas—especially those far from the growing fringe of major cities—growth rates are often too low to justify the administrative costs of setting up a development charges system.

As already mentioned, the potential impact of an area-based approach on housing affordability is proportionate to the magnitude of the charges: where charges are low, market factors will drown out any impact from switching to an area-based system. Where charges are high, such a switch may have a discernible impact. It would appear, therefore that the greatest potential for this instrument is in the high-charge provinces of BC and Ontario.

How can area-based development charges be implemented?

A policy decision to switch to an area-based approach would have to be made by municipal council and then staff would be directed to undertake the necessary changes to the development charge bylaw. Development charge bylaws usually have the following elements:

- a list of the services for which the charges will be used to pay
- a geographical definition of where the charges will apply within the municipality
- the type of development projects that are required to pay the charges and those that might be exempted
- the basis on which the charge will be assessed
- a schedule laying out the actual charges (based on the assessment method)
- provisions for the amendment, appeal and review of the bylaw and the time period in which it will be effective.

Switching from a per-unit to an area-based approach would be reflected in the part of the bylaw setting out the basis of the charge. For municipalities adopting a development charge bylaw for the first time, using an area-based approach should be no more complicated than a per-unit approach. For those municipalities with a development charge bylaw already in place, switching from a flat rate by unit type approach to an area-based approach would require that the bylaw section on the method of assessment be amended. This could be done using the bylaw amendment procedure set out in the bylaw itself or during the general revision of the bylaw at the end of its effective period. This would normally be a straightforward administrative matter, especially where the development community is supportive of the change.

Although development charge bylaws are themselves rather straight forward, the justification for the bylaw can be a complex and expensive undertaking. Development charge bylaws are usually adopted following a detailed study of projected growth patterns and associated infrastructure needs. For a development charge bylaw to be based on the per-unit approach, the background study must project the number and different types of units that will be built and the average occupancy per unit for each unit type. For a development charge to be based on an area basis, the background study would need to project the overall amount of residential floor space projected to be added to the municipality. However, a study based on the area-based approach should be no more costly than one based on the per-unit approach.

Other financial costs in adopting an area-based approach could include the expense of conducting a public consultation on the shift to or first adoption of a development charge bylaw and the cost of fighting appeals to the bylaw in the courts or before provincial

tribunals. There is no reason to believe that an area-based bylaw would be more vulnerable to court challenge than a per-unit bylaw. In fact, because developers appear to favour the area-based approach, court challenges may be rarer. The cost of day-to-day administration of an area-based system should be no different than that involved using a per-unit approach.

What problems may be encountered in implementing area-based development charges?

Developers appear to be receptive to the area-based approach. In BC, where this measure has been pioneered in Canada, it is the development community that is promoting the idea and championing its adoption in specific municipalities (such as the City of North Vancouver and in Maple Ridge). Developers favour the area-based approach because in some cases it may reduce the uncertainties involved in project planning. For instance, in jurisdictions where allowable densities are set by planning departments on a floor-area basis, the charges collected will be the same regardless of the number of units that are proposed or approved. When using an area-based approach, developers will have to pay the same amount in development charges for a building or parcel of a given size, whereas the charge would vary with the number of units if based on the per-unit approach. Developers also appear to favour the area-based approach because they see it as more equitable in that it involves less cross-subsidization among different types of housing units.

Some home buyers may raise equity concerns related to the use of this approach if there is evidence that larger units do not necessarily impose a larger burden on municipal infrastructure. This is the case, for instance, when retired people without children at home purchase a large condo. In this case, a larger unit may consume less in the way of water, recreational services, park space, etc. than a much smaller home where children are present. Although this concern may not surface in bylaw formulation (as home buyers are rarely involved in negotiations over bylaw terms), it is nonetheless a serious issue that should be researched and settled in each jurisdiction.

What are the advantages and disadvantages of area-based development charges?

Advantages

- could increase production of affordable housing units where charges are high and growth is brisk
- many municipalities already have a development charge system in place and it is relatively easy to switch to an area-based system.

Disadvantages

- because impacts on housing production are indirect, may have weak or uncertain impacts on affordability
- not applicable in slow growth areas where development charges are not appropriate
- assumption that larger unit size equals greater demand for municipal capital services may not be accurate in some situations.

Resources

- British Columbia Ministry of Municipal Affairs and Housing 1997. Development Cost Charges Best Practices Guide. Victoria: Ministry of Municipal Affairs and Housing, Growth Strategies Office.
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- UDI Pacific Region Web site: www.udi.bc.ca

8. Conclusions

In concluding this guide, consideration is given to the following:

- the degree to which the six measures profiled here are contributing to enhancing the supply of affordable housing in Canadian municipalities
- ways of combining the measures in order to enhance their potential contribution
- the importance of embedding these measures in a wider planning and growth management context.

Current Impacts of the Measures

In attempting to quantify the impact of the six measures profiled in this guidebook, it has to be acknowledged that some measures lend themselves better than others to this purpose. Three of the measures—alternative development standards, development charges and performance-based planning—are indirect in that they attempt to set conditions favourable for the production of affordable housing, but in themselves can't guarantee that such housing will be produced. When municipalities using these measures do experience increases in affordable housing production, it is risky to attribute the trend to the use of indirect measures because so many other variables (e.g., falling land values, net migration from the municipality, demand changes, or other policy initiatives) could be intervening to produce the observed outcomes.

In contrast, the three direct measures—inclusionary zoning, density bonusing and linkage fees—will almost always result in at least some new housing construction where they are used, with the caveat that the quantities of housing produced will depend largely on the strength of the real estate sector upon which the requirements are being imposed. Impacts are easier to assess because the housing production is directly tied to the use of the measure and information is more often available on the housing outputs of such programs. Thus, the following assessment focuses on direct measures only. It may be assumed that indirect measures give rise to some further—but unknown—increment in the affordable housing supply.

It appears that there are about one hundred units of new affordable housing produced annually in Canada with the assistance of inclusionary housing policies and that this pace has emerged over the past decade. Most of these are social housing units, produced in British Columbia. Over the last ten years, linkage programs in a few BC municipalities have contributed $9 million to affordable housing funds and have been involved in the direct production of an additional 150-200 units. Since the mid-1970s, density bonusing has contributed several thousand units in the Toronto and Greater Vancouver areas and has raised just under $40 million for non-profit projects.

These impacts must be put into some kind of perspective: in 1998 over 1,400 social housing units were created across Canada (885 in BC), and about 6,500 rental housing units were built. While the units assisted by the three measures surely add to national affordable housing supply, the contribution from these programs would have to increase substantially to become a significant source of new housing.

Enhancing Impacts by Combining Measures

It is clear from the above that at their current level of usage and effectiveness, the measures considered in this guide have not by themselves been a match for the larger forces behind local affordability problems e.g., stagnant or falling real average incomes and high land and housing prices. Similarly, they will not substitute for the loss of federal—and in some cases, provincial—housing subsidies over the last decade.

However, the measures have, to date, been used only sparingly and there are a number of reasons to expect that these measures will play a larger role in the future:

- it is increasingly clear that municipalities will bear a lot of the responsibility for ensuring an adequate supply of affordable housing in the future. Fiscal constraints at the local level will prevent many municipalities from engaging in direct subsidies for housing construction. Attention will be directed at the potential for measures that are relatively inexpensive for municipalities to implement and that rely on the private sector for their success. This tendency forms part of a larger movement away from direct provision of goods and services by local governments and towards intergovernmental and public-private partnerships.
- as provinces reduce direct funding for affordable housing, they are increasingly motivated to pass new legislation to mandate or enable municipalities to engage in the use of these and related measures. The 1993 reforms to the Municipal Act in BC that formalized the use of density bonusing and comprehensive development zoning can be seen in this light, as can the policy efforts in Ontario to promote alternative development standards and the current policy initiative in that province to permit more flexible zoning arrangements.
- the spread of housing trust funds is creating additional mechanisms in major urban areas across the country for gathering and funnelling funds to affordable housing projects. These agencies, which are often set up as a result of campaigns by social service and housing agencies based in the wider community, will undoubtedly also serve as strong advocates for more aggressive use of local measures to enhance the supply of affordable housing.
- attention is being directed to regularizing secondary suites and ensuring that they are in good, safe condition, as they are providing a significant supply of affordable housing.

While municipalities cannot control the larger factors determining the demand for affordable housing, they can undertake to enhance the effectiveness of measures under their control. One way that municipalities could boost the effectiveness of the measures considered in this guide would be to experiment with combinations of measures – combinations that could help tailor an affordable housing strategy to local economic and political circumstances.

Alternative development standards and performance-based planning

The implementation of alternative development standards can be facilitated by incorporating performance standards into local zoning bylaws. To a great extent, the design of subdivisions is regulated by what are termed prescriptive standards—i.e., standards that specify exactly how a facility/subdivision is to be built. The advantage of prescriptive standards is that they result in uniform approaches and provide authorities with a high level of confidence that objectives will be achieved. On the other hand, they can produce solutions that exceed the practical requirements of a given situation.

In many situations, the use of performance standards are recommended. By focusing on the objectives rather than the means to achieve them, performance standards allow designers greater flexibility to find creative solutions to problems. Alternative development standards should include a combination of prescriptive and performance standards.

Alternative development standards and inclusionary zoning

Many communities using alternative development standards provide such high quality environments and housing that it is too expensive for many people. Combining alternative development standards with inclusionary zoning could improve the percentage of affordable units. Examples of this approach are the Cornell development in Markham, Ontario (see case study in Chapter 6) and the Royal Bay project in Colwood, BC (see case study in Chapter 2).

Development charges and linkage fees

Development charges and linkage fees are two types of exactions imposed on developers as conditions for approval of their projects. They differ in that linkage fees are applied primarily to commercial development in order to meet the increased demand for affordable housing that results from the commercial development being levied. In contrast, a development charge is applied to all forms of development (including residential) and the revenues are spent on a range of projects (not just housing) necessitated by all types of growth (not just commercial).

At present, only one municipality in Canada uses its development charge system to help pay for affordable housing—the City of Vancouver (see case study in Figure 43). Though different, there is no reason in principle why development charges cannot be used as a kind of linkage fee when applied to commercial development that creates the need for new affordable housing or to large residential developments that proceed through demolition of existing housing stock.

As a practical matter, however, most provincial development charge legislation does not permit municipalities to use development charges in this way. The exception is the City of Vancouver, which is governed by a unique charter that gives it broad powers. For this practice to be used by other municipalities would probably require amendments to provincial legislation to include housing as an eligible capital expenditure under development charge bylaws.

Figure 43: Development cost levies as linkage fees: City of Vancouver, BC.

Under its Charter (Section 523D), the City of Vancouver may impose development cost levies to help pay for off-site amenities. Besides the items normally included in BC development charge bylaws (such as parks, piped services and roads necessitated by new development), Vancouver's Development Cost Levy system allows the city to charge for soft services such as daycare and affordable housing. The housing component is justified on the grounds that development in the fully built out city usually requires demolition of existing housing and therefore contributes to an affordability problem. The money collected is used to build replacement housing.

Figure 43: Development cost levies as linkage fees, City of Vancouver, BC. (cont'd)

Levies are calculated according to a formula based on the number of square metres permitted in the development with respect to which the levy is imposed. Development cost levies are imposed on development in seven major development areas of the city (leaving other areas without levies). Five of the seven areas levy developers for affordable housing. About 30 per cent of the collected revenue in those areas goes towards this purpose.

The rates are set at a level that ensures that new development pays its fair share toward public benefits needed by the new population. In setting the fee for each area, the city looks at expected growth in the area, needed improvements due to this growth and the potential for new development in each area to pay for the needed improvements. On average, 46 per cent of the needed improvement are paid for through the development levies—the rest is paid through municipal property taxes and other sources.

This exaction program has been running since the first area charge was implemented in 1992. As of the end of 1999, $6.7 million had been collected for replacement housing. The money has been used to buy and upgrade an existing single room occupancy hotel (in order to replace rooms lost through redevelopment) and to purchase a site for non-profit housing.

Source: Richard Drdla Associates. 1998. Municipal Regulatory Initiatives: Providing for Affordable Housing. Ottawa: CMHC Research Report and interview with Randy Pecarski, City of Vancouver.
Contact: Randy Pecarski, Planning Department, City of Vancouver. tel. (604) 873-7810

Linkage fees, inclusionary zoning and density bonusing

Linkage fees, inclusionary zoning and density bonusing are similar in that they use the approval process to require (or encourage) developers to help pay for or directly provide affordable housing. However, they differ in that two of them—inclusionary zoning and linkage programs—are required as a condition of development approval while density bonusing is an incentive based program.

This difference allows their use to be tailored to local conditions. In areas of high growth—especially where that growth is clearly unbalanced or is directly eroding the stock of affordable housing—linkage programs and mandatory inclusionary zoning may be preferred. This flows from the fact that developers are less likely to resist mandatory controls when markets are hot and the prospects for windfall profits are great. In fact, in these conditions, developers may embrace a mandatory system as an important mechanism to diffuse anti-growth sentiment in the community. Interestingly, when linkage fees were struck down as illegal in the City of Boston, the large commercial developers came to the defence of the program and claimed that they would continue making voluntary contributions, regardless of the legal status of the program. However, where growth is moderate, periodic or slow, voluntary systems may be more appropriate.

Moreover, the choice of instrument will depend in part on what real estate sector is strongest at a given time. If a municipality has the full range of measures on the books, it can activate its inclusionary policy when the residential sector is strong and then switch to its linkage program when the commercial sector heats up.

The complementary nature of the three measures gives rise to a number of other opportunities for combining their use.

- Linkage fees are a logical complement to inclusionary zoning as they can be used to improve the coverage and equity in an inclusionary housing policy. IZ is usually limited to larger developments, where the overall project finances can pay the added costs of constructing or dedicating inclusionary units without undermining project viability. In most municipalities, the smaller developments that are excluded account for most new housing construction, and this situation is inequitable. As a alternative to actually creating inclusionary housing, municipalities can offer the option of paying an affordable housing fee, priced to parallel the cost of inclusionary housing, which would go into a reserve for funding affordable housing. This would allow small projects to achieve the inclusionary requirement and may be useful in multi-phase developments (see case study on Santa Monica, CA. in Figure 44).
- Inclusionary zoning is also frequently combined with density bonusing to improve its effectiveness (e.g., in Burlington, VT and Princeton, NJ). This is especially the case where real estate markets are not strong and where there is a danger of stifling development with the imposition of inclusionary requirements. Density bonuses can help offset the cost to developers of supplying the inclusionary units.

Figure 44: Combination of linkage and inclusionary zoning programs: Santa Monica, CA.

In Santa Monica, CA, an inclusionary zoning policy requires that new condominium and rental projects of two or more units must have 30 per cent affordable housing. In lieu of this requirement, developers can pay a fee of $\$6/m^2$ for rental apartments and $\$77/m^2$ for condominium units. On average this generates $9,300 per apartment and $10,800 per condo. The fees are reduced where projects do not require the demolition of existing housing, a policy option that encourages infill projects on vacant land. The collected monies go into the city's reserve account dedicated to non-profit production of low-income housing.

Source : Richard Drdla Associates. 1998. Municipal Regulatory Initiatives: Providing for Affordable Housing. Ottawa: CMHC Research Report.
Contact: Tad Read, Housing and Redevelopment Division, City of Santa Monica.
tel. (310) 458-8702

Performance-based planning and density bonusing/inclusionary zoning/linkage fees

While traditional zoning allows uses by right and does not include exactions, performance-based approaches not only introduce greater flexibility into the planning process, but also lend themselves to being combined with exaction programs such as inclusionary zoning, density bonusing and linkage fees. This flows from the fact that PBP require detailed assessment of impacts, information which can be used to design and justify other measures that are impact related. For example, in Fort Collins, CO, the Land Development Guidance System (see case study in Chapter 6) awards the developer points for meeting the range of performance criteria. If a developer scores higher than the minimum points required for the proposed density, then a density bonus is permitted.

Also, the process of negotiation between developers and local governments usually associated with performance-based planning provides a convenient vehicle for agreements on housing obligations. Such negotiations can allow trade-offs among exactions and performance standards. The local government may allow under-attainment in one area in

exchange for over-attainment in another area. For example, contributions to local affordable housing stock could be balanced by reduced impact standards.

While performance-based planning seems ideally suited to be combined with exactions like inclusionary zoning, density bonusing and linkage fees, some of the other planning mechanisms covered in Chapter 6 also lend themselves to similar combinations (see case study on Burnaby, BC in Figure 45).

Figure 45: Density bonusing and flexible zoning: Burnaby, BC.

Using its flexible Comprehensive Development Zoning system (see case study in Chapter 6), Burnaby recently approved a system of bonusing to build affordable housing and provide amenities on specific land parcels in the Town Centre area. This is where extra density is more readily accepted by the surrounding community and where it is capable of being supported by proximity to a full range of services. Each Town Centre Development plan will identify the amount of density bonus available and the range of amenities and affordable housing options. Each plan will identify appropriate locations for the bonus.

Each specific proposal utilizing a density bonus will be subject to Council approval through rezoning to a comprehensive development zone, which will be based on the relevant plan. The zoning bylaw will identify the district where bonusing applies and the amount that can be bonused. The housing or amenity may be provided on-site or off-site depending on the characteristics of the site and the priorities for amenities or housing identified in the Town Centre Development Plan.

Source: British Columbia, Ministry of Municipal Affairs and Housing, 1997. Density Bonus Provisions of the Municipal Act: A Guide and a Model Bylaw. Contact: Bev Grieve, Planning and Building Department, City of Burnaby. tel. (604) 294-7420

Linking the measures through integrated planning

Hopefully, astute combinations among the measures will help to respond to local economic and political conditions in ways that have the greatest promise of enhancing affordable housing production by the private sector. However, it is important to note that the potential of these measures is sometimes compromised by the lack of an integrated framework within which they can be placed. Where measures are implemented without regard for, or in the absence of overall planning policies and community goals, they may have less than desirable—or downright undesirable—impacts.

For example, most urban areas in Canada now have community plans that include policy statements favouring more compact urban form, a mix of housing types and densities, increased infrastructure efficiencies and reduced need for the private automobile as a form of personal transport. However, the positive effect of calculating development charges on an area basis may be neutralized if the overall development charge system is designed in ways that ignore such community planning policies. Development charges that apply uniformly across the whole municipality—regardless of the location and density of development—are not likely to reinforce urban structure policies, regardless of whether fees are calculated on an area basis or unit type basis.

A better approach would be to adopt area-specific charges that would levy developers for the actual municipal costs associated with their projects. This approach would allow charges to vary according to the overall density of the projects and whether or not the project was located in a high-priority development area according to the city plan.

Similar observations can be made relative to the use of alternative development standards in new growth areas. As noted in Chapter 5, many New Urbanist communities employing alternative development standards may have little or no impact on the local supply of affordable housing. Such developments are often characterized by detached housing and geographical segregation of different housing types.

Figure 46: Many communities using ADS still emphasize segregation of different house types

Moreover, they show little effort in the way of discouraging automobile use – e.g., parking standards appear to be similar to those found in conventional developments. Even where such an effort is made, it is unlikely that people living in pockets of housing development using alternative development standards surrounded by a sea of conventional subdivisions are going to use their cars any less or more than those living around them. This flows from the fact that transportation choices are shaped by considerations beyond street widths, corners stores in residential areas and neighbourhood densities. Most important in this respect are regionally determined factors, such as urban structure, co-ordination of transportation routes and schedules among adjacent municipalities and the rate of public investment in transit versus road building.

A more constructive approach would be to promote the use of alternative standards within a broader planning context that supports them. In fact, this is the emerging consensus among advocates of New Urbanist designs i.e., that the design goals must be reinforced by regional planning and economic policies to reshape the urban and suburban fabric.

The various housing exactions can also be analyzed in this light. These measures have been criticized for their ad hoc nature—especially where negotiated on a project-by-project basis, as they often are in Canada. But even where there is a formula, the exactions are sometimes not related to the community plan and may not relate to the city's planning for economic development and capital improvement programs. Furthermore, housing policies and programs may be vague as to the actual use of the linkage fees and other forms of housing obligation exacted from local developers. In some cases, density increases are awarded in

a way that reflects political rather than planning realities and the result can be residential growth in areas where services are not available to support additional population.

Finally, the success of performance-based planning and other flexible planning approaches is also dependent on the larger planning context. Where performance-based planning is applied in order to unleash the forces of change in older urban areas, the nature of this change has to have been fully debated in public and clearly expressed in community plans. Without this social consensus, these instruments are likely to lead to greater conflict in the community rather than to smoother, more efficient planning processes. Where performance-based planning has been applied to new communities, it has sometimes had unexpected impacts i.e., reduced densities and housing affordability. This can happen if large amounts of land are dedicated to the buffering and separation of incompatible uses. Such outcomes can be avoided by carefully anchoring the zoning system to the community goals as expressed in a municipal plan.

Linking these and other housing affordability measures to a regional or municipal development plan would help improve their effectiveness and obviate some of the undesired side effects of their use. Some municipalities in Canada are going a step further by linking housing affordability goals to tax policies, policies governing the use and disposal of municipal land and municipal regulations and standards (see case study on City of Toronto in Figure 48).

Figure 47: Linking affordable housing to other community goals requires working in partnership with a wide range of actors.

Such approaches tend to rely heavily on partnerships with community actors, such as non-profit and private developers, financial institutions and community agencies. These partnerships are useful in terms of setting goals, leveraging resources, obtaining community support and implementing housing policies. Partnership models may have the greatest promise for addressing affordability issues at the local level.

Figure 48: Integrated planning for housing: Toronto, ON.

The newly amalgamated City of Toronto is working on its first Official Plan. The framework document, which was approved by city council in March 1999, stresses the importance of housing affordability as a basic building block of the new plan. As part of the planning process, city staff are systematically reviewing and revising every mechanism the city can use to influence the supply of affordable housing. These include:

- leadership and advocacy
- land and buildings
- financing and funding
- taxation
- charges and fees
- community supports
- regulations and standards
- planning and policy.

Thus, the city's new strategy for housing affordability will integrate land use policy, fiscal policy and regulatory instruments into a single coherent vision.

Source: City of Toronto. March 1999. Framework for the New Official Plan.

There is a growing consensus that municipalities must move towards a new role of local partnerships with community groups and the private sector. Municipalities are no longer in a position to undertake housing development directly on their own, nor can they replace what has been lost due to the withdrawal of senior governments from the field of social housing. However, municipalities can create a supportive planning and policy environment that facilitates the development of affordable housing by the private and non-profit sectors. Through the use of their regulatory, planning and fiscal powers, municipalities can be a key partner in helping to create an equitable, healthy and balanced community.

Resources

- British Columbia, Ministry of Municipal Affairs and Housing, 1997. Density Bonus Provisions of the Municipal Act: A Guide and a Model Bylaw.
- City of Toronto. March 1999. Framework for the New Official Plan.
- Richard Drdla Associates. 1998. Municipal Regulatory Initiatives: Providing for Affordable Housing. Ottawa: CMHC Research Report.